Ontario

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Economic Outlook and Fiscal Review

The Honourable Greg Sorbara
Minister of Finance

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Web site:	www.publications.gov.on.ca

© Queen's Printer for Ontario, 2004
ISSN 1483-5967 ISBN 0-7794-7095-8

Ce document est disponible en français sous le titre :
Perspectives économiques et revue financière de l'Ontario de 2004

105-00639/

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ANNEX I

Ontario's Economy

Introduction and Overview

In 2004, Ontario's economic performance has improved over 2003 and is generally consistent with the Budget projections released in May. The economy has recovered from a series of events that imperilled economic growth last year, and is on a path of healthy expansion, including rising incomes, more jobs, increased exports and stronger business investment. Ontario has created 127,000 new full-time jobs so far this year, which is on track for the largest full-time job gain in four years. This annex updates the outlook for the Ontario economy for the period 2004 through 2007. It also discusses strategies that the Ontario Government is pursuing to implement its economic plan. The key elements of the economic plan build on Ontario's competitive strengths, modernize infrastructure and improve the education and training of the workforce, including making the best use of the talents and skills that immigrants bring to Ontario.

Real gross domestic product (GDP) growth is forecast to be 2.3 per cent in 2004, up from 1.6 per cent in 2003. Over the 2005 to 2007 period, Ontario's annual growth rate is projected to average 3.2 per cent per year. Private-sector forecasters are more optimistic about growth in 2004, calling, on average, for growth of 2.6 per cent. In a preliminary step towards establishing an Economic Forecast Council as proposed in the Fiscal Transparency and Accountability Act, the Minister of Finance met with a group of leading private-sector economists in September, who provided advice on forecast assumptions and risks to the outlook. The Ministry of Finance believes that growth for the current year could well be below the private-sector consensus. The persistence of the recent increase in oil prices, for example, will be a drag on Ontario growth in the final months of 2004. Consequently, the lower forecast growth rate is retained to ensure a prudent basis for the government's fiscal and economic plans.

Ontario Economic Highlights: Current Private-Sector Survey Average
(Per Cent Change)

	2002	2003	2004p	2005p	2006p	2007p
Real GDP Growth	3.7	1.6	2.6	3.3	3.4	3.5
Ontario Ministry of Finance assumption	*3.7*	*1.6*	*2.3*	*3.2*	*3.1*	*3.3*
Nominal GDP Growth	5.7	3.2	5.1	5.5	5.0	5.2
Unemployment Rate	7.1	7.0	6.8	6.6	6.4	6.2
CPI Inflation	2.0	2.7	1.8	2.0	1.7	1.9

p = private-sector survey average.

Note: The number of forecasters falls from 10 in 2004 to 4 in 2007.

Sources: Statistics Canada and Ontario Ministry of Finance Survey of Forecasts (October 2004).

On the basis of the economic planning assumptions, Ontario can anticipate average revenue growth of about $4.1 billion annually. This projection is based on the current provincial tax structure including measures proposed in the 2004 Budget, existing federal transfer policies and the recent First Ministers' health agreement. A detailed discussion of the revenue outlook is found in Annex II.

Ontario's economy is embedded in the global marketplace. As a result, the economic health of our major trading partners, particularly the United States, contributes strongly to Ontario's growth performance. Other factors also influence Ontario's economy, including the level of interest rates and the value of the Canadian dollar, which reflect federal government economic policies as well as market developments. Furthermore, as we have experienced in the recent past, unanticipated shocks in other parts of the world have ripple effects in Ontario.

Nonetheless, the health of Ontario's economy relies to a considerable extent on the wise stewardship of the province's resources, as well as the performance of the global economy. Given the importance of external factors for Ontario's economic growth, cautious planning assumptions are a critical element of sound economic policy. At the same time, Ontario will pursue various strategies to strengthen the foundations for the next generation of economic growth. These include expanding apprenticeship training and post-secondary enrolment, securing a reliable energy supply, fostering innovation, investing in infrastructure—including transportation and border crossings—and strengthening cities.

STRONG PEOPLE, STRONG ECONOMY

- A skilled workforce.
- Competitive business environment.
- Modern, efficient public services.

Progress Report 2004.

PRIVATE-SECTOR FORECASTS

The proposed Fiscal Transparency and Accountability Act, introduced with Ontario's 2004 Budget, contemplates the formation of an Economic Forecast Council for Ontario to provide "advice relating to macroeconomic forecasts and assumptions to be used to prepare the Budget and the related fiscal plan." As an initial step towards this objective, a group of private-sector economists met with the Minister of Finance and Ministry officials in September to provide advice on forecast assumptions and risks.

The Ontario Ministry of Finance has historically used private-sector forecasts as a guide for establishing reasonable economic assumptions on which to base revenue forecasts. Standard practice has been to employ assumptions of somewhat slower economic growth than the consensus prediction of the private sector. The following table shows the current projections for real economic growth of institutions invited to participate in discussions on Ontario's economic outlook.

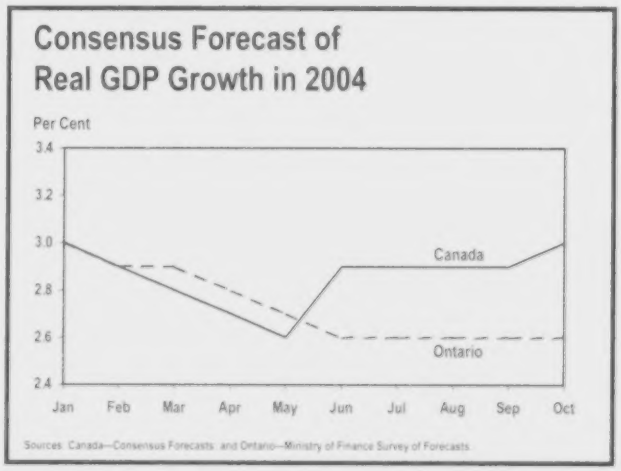
Current Private-Sector Forecasts for Ontario Real GDP Growth
(Per Cent Change)

	2004	2005	2006	2007
Conference Board (October)	2.6	3.3	2.9	2.9
Global Insight (July)	2.6	3.6	3.3	3.4
Centre for Spatial Economics (October)	3.3	4.2	3.5	3.8
University of Toronto (October)	2.1	2.9	3.8	3.7
Bank of Montreal (October)	2.6	3.5	3.7	–
RBC Financial (October)	2.9	3.6	–	–
Scotiabank (October)	2.5	2.6	–	–
TD Bank (July)	2.4	3.4	–	–
Nesbitt Burns (October)	2.6	3.0	–	–
CIBC World Markets (September)	2.7	3.1	–	–
Average	2.6	3.3	3.4	3.5

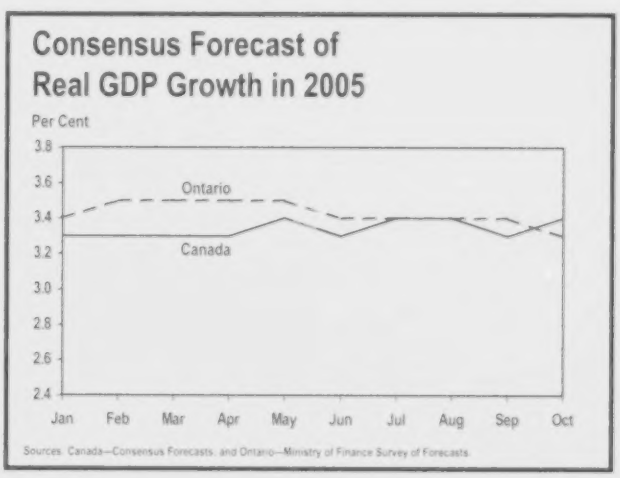
Source: Ontario Ministry of Finance Survey of Forecasts (October 29, 2004).

Changes in Ontario's 2004 and 2005 Economic Outlook Since the May Budget

Ontario's aggregate economic performance in 2004 has unfolded generally as expected at the time of the Budget in May. As a result, the Ministry of Finance has maintained its Budget forecast that Ontario real GDP will rise by 2.3 per cent in 2004. Over the same period, private-sector forecasters, on average, have slightly lowered their projections for Ontario's economic growth in 2004. The average private-sector forecast for the province's 2004 real GDP growth is currently 2.6 per cent, down slightly from the 2.7 per cent rate of growth anticipated at the time of the Budget.



While Ontario's economic growth so far this year has been close to the expectations of the Budget, the composition of growth has been different than anticipated, with less growth in consumer spending and stronger increases in housing, machinery and equipment investment, and exports. The more moderate pace of consumer spending can be seen in Ontario's retail sales, which are now expected to increase by 2.9 per cent in 2004, down from the Budget's projection of 3.5 per cent. For 2005, the average private-sector forecast for Ontario's real GDP growth has declined from 3.5 per cent in May to 3.3 per cent currently.



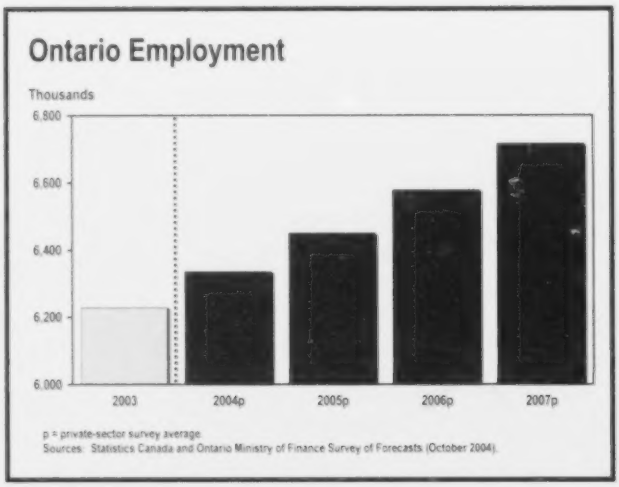
In contrast, according to Consensus Economics, the average private-sector forecast for Canada's 2004 economic growth has risen from 2.6 per cent in May to 3.0 per cent currently. For 2005, forecasters on average expect Canada's real output to rise by 3.4 per cent, unchanged from the consensus projection in May.

Oil prices have risen sharply since the Budget, reaching record levels in the autumn months. As a result, the average price of oil in 2004 will be at least $5 US per barrel higher than the Budget assumption. This benefits the oil-producing provinces while penalizing energy-importing Ontario. As well, high commodity prices have provided strong support for other parts of Canada. Resource-based products account for 26 per cent of Ontario's international merchandise exports compared to 74 per cent for the rest of the country.

The Canadian dollar has traded in a higher range than anticipated in the Budget, reaching a 12-year high in October. The stronger dollar restrains Ontario's growth more than Canada's because of the high concentration of manufactured goods in Ontario's export sector.

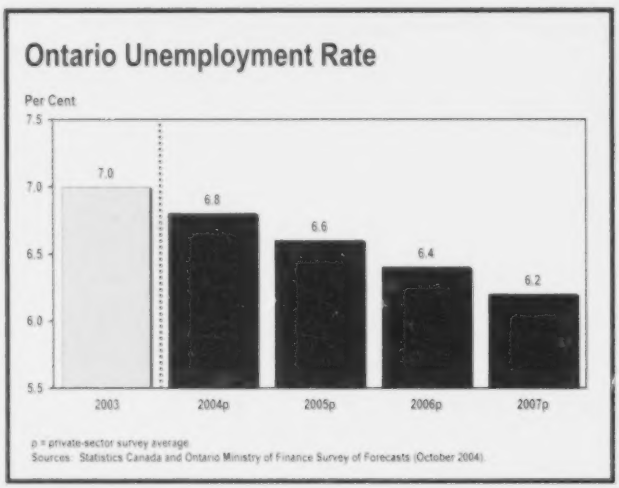
Ontario Gaining Full-Time Jobs at a Healthy Pace

Ontario's growing economy has generated 105,000 net new jobs so far in 2004, a gain of 1.7 per cent. All of the jobs created this year have been in full-time positions, which have increased by 127,000 and are on pace for their strongest gain since 2000. On an industry basis, healthy job gains have occurred in wholesale and retail trade; finance, insurance and real estate; education; health care and social assistance; and information, culture and recreation.



The increase in employment this year has helped push Ontario's unemployment rate down from a peak of 7.1 per cent in March to 6.5 per cent in September.

Private-sector forecasters expect this pickup in job growth to continue, with a solid economic performance underpinning job gains of 1.8 per cent in 2005 and an average of 2.0 per cent in 2006 and 2007. Encouraged by strengthening employment prospects, even more Ontarians are anticipated to enter the job market over the next several years. On average, forecasters project that the share of the working-age population in the labour market will climb from a 12-year high of 68.4 per cent in 2003 to 69.0 per cent by 2007.



Over the same period, Ontario's unemployment rate is projected to decline from an annual average of 7.0 per cent in 2003 to 6.2 per cent by 2007, according to the average private-sector forecast.

Ontario's competitive advantage lies, in part, in the skills and talents of its people, including the diverse and growing immigrant population. Ontario is investing to improve the education system from junior kindergarten to post-secondary to the workplace. Other initiatives to ensure that new immigrants find jobs in which they can contribute their full talents and skills will strengthen economic growth and increase opportunity. The aim is to equip Ontarians with the knowledge and skills that attract the best jobs and investment, as set out in the government's *Progress Report 2004*.

Employment income accounts for the largest part of income earned by Ontarians. With average wages and salaries per paid worker projected to rise by 1.7 per cent this year, total personal income is expected to rise by 3.5 per cent in 2004, a full percentage point higher than 2003 growth. Income growth will provide the main impetus to household demand for goods, services and housing. Over the 2005 to 2007 period, household spending is projected to increase by an average of 4.9 per cent per year, supported by average income gains of 4.7 per cent or 2.7 per cent when adjusted for inflation.

Ontarians will see rising real after-tax income per capita this year, following a three-year period over which there was no growth. Real personal disposable income per capita is expected to rise by 1.2 per cent in 2004, double the average annual pace of growth over the 1982 to 2003 period. From 2005 to 2007, real growth in personal disposable income per person is projected to average 1.4 per cent per year.

POST-SECONDARY EDUCATION AND TRAINING: ONTARIO'S COMPETITIVE ADVANTAGE

A highly educated and skilled workforce is part of Ontario's competitive advantage. The government is committed to building on this strength by developing the best workforce in North America.

A number of initiatives for higher education and training were announced in the 2004 Budget. These initiatives build on the steady progress to date on commitments made at the elementary/secondary level and include:

- The review of post-secondary education by former premier Bob Rae.
- Making post-secondary education more affordable and accessible.
- Increasing post-secondary education enrolment by 50,000 full-time students.
- Funding an expansion of the apprenticeship system by 7,000 new registrants annually.
- Encouraging businesses to hire and train more apprentices in the skilled trades by lowering their costs through the proposed Apprenticeship Training Tax Credit.
- Providing funding to update technology and equipment at colleges.
- Eliminating barriers to employment faced by skilled immigrant workers and providing funding for bridge training programs.
- Funding alternative academic upgrading and skills training options for youth who drop out of school.

The Ontario and federal governments have agreed to pursue agreements on labour market services and immigration. These agreements will co-ordinate programs, eliminate duplication, expand apprenticeship and improve labour market opportunities for recent immigrants.

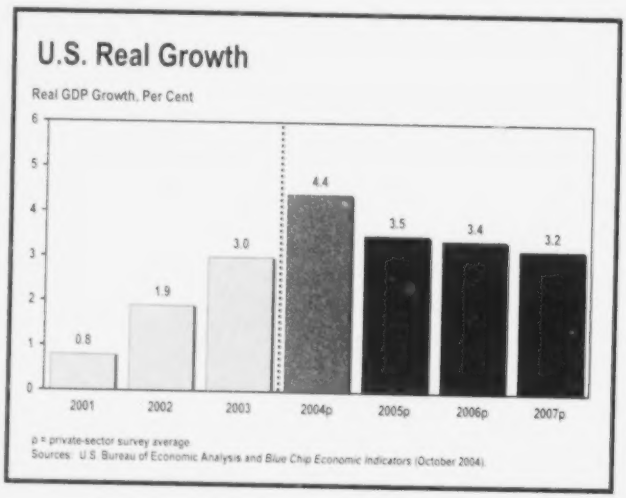
As set out in the government's *Progress Report 2004*, the expected results are increased participation in post-secondary education and training, more internationally trained people becoming qualified to work in Ontario, and greater high school completion rates.

U.S. Economic Growth Expected to Moderate

The economic health and performance of the United States is an important component in Ontario's future. American consumers and businesses purchased $153 billion of goods from Ontario last year, an amount equal to 31 per cent of the province's GDP. In addition, there were significant exports of services, such as financing and transportation, although these are more difficult to measure accurately.

The U.S. economy has showed a dramatic improvement since the middle of 2003. Over the past six quarters, real output has increased by an average annual rate of more than four per cent per quarter. This stronger growth has contributed to a gain of 1.7 million new jobs over the past year, higher incomes and increased spending on goods and services. Furthermore, corporation profits have risen sharply, up 17.1 per cent so far this year, providing a key source of funds for outlays on equipment and software.

According to the October edition of *Blue Chip Economic Indicators*, U.S. real GDP is forecast to rise by 4.4 per cent for 2004 as a whole, one of the biggest gains in output over the past 20 years. Growth is expected to moderate to 3.5 per cent in 2005, 3.4 per cent in 2006 and 3.2 per cent in 2007.



However, while continued growth in the U.S. economy is expected, numerous risks remain. The over 60 per cent rise in oil prices since the start of the year, if sustained, could further slow growth. Higher gasoline pump prices would force consumers to divert even more of their income from spending on other items. Households are also highly indebted and will face rising debt payments as interest rates gradually increase. The U.S. federal government's budget deficit reached a record level last fiscal year, pointing to the necessity for fiscal restraint in the years ahead. The burgeoning U.S. current account deficit also represents a risk to long-term growth prospects. If foreign investors lessen their willingness to hold U.S. government debt, the American dollar could depreciate rapidly.

A Stronger Canadian Dollar

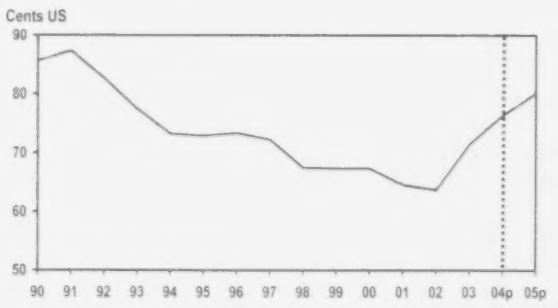
The sharp rise in the Canadian dollar during 2003 and again in late 2004 is a significant development for Ontario's economy. The Canadian dollar traded at 64 cents US in January 2003 and then appreciated about 20 per cent by the end of last year to reach 77 cents US. After falling during the first half of this year, the Canadian dollar has recently started to appreciate again, reaching a 12-year high of over 82 cents US in October. The impact of a strong dollar on the Ontario economy is greater than for Canada as a whole because of the high concentration of manufactured goods destined for U.S. markets in Ontario's export sector.

The rise of the Canadian dollar is one of the counterparts to a generalized depreciation of the U.S. dollar against other major freely floating currencies. Since the beginning of 2003, the Canadian dollar has appreciated by 23 per cent against the U.S. dollar, the euro has strengthened by 17 per cent and the yen by 9 per cent.

The United States is likely to run a current account deficit of $640 billion US in 2004. It has had a current account deficit every year since 1992 and by the end of 2003 the net international indebtedness of the United States increased to $2.4 trillion US, equivalent to 22 per cent of GDP. Over time, the depreciation of the U.S. dollar should help to reduce the current account deficit by making U.S. exports more competitive and discouraging U.S. imports from other countries.

The current consensus for the Canada-U.S. exchange rate is an average of 80.1 cents US in 2005, slightly below recent levels. The projections in this Annex assume that the exchange rate will average 81.0 cents US in 2006 and 81.4 cents US in 2007. These assumptions are obviously subject to considerable uncertainty and a different outcome could have a significant impact on the rate and composition of economic growth in Ontario.

Canadian Dollar



p = private-sector survey average.
Sources: Bank of Canada and Ontario Ministry of Finance Survey of Forecasts (October 2004).

The appreciation of the Canadian dollar has significantly benefited Ontarians as consumers. For example, the price of imported oil would have risen by 63 per cent rather than 36 per cent in 2003 and 2004 if the Canadian dollar had not appreciated. Other imported consumer goods are cheaper as well.

The higher value of the Canadian dollar is a significant challenge for Ontario exporters. In 2003, Ontario's nominal international merchandise exports fell 7.3 per cent, which reflected both the 20 per cent increase in the Canadian dollar and the sluggish pace of U.S. demand early in the year. However, Ontario exporters are making adjustments to compete at the higher exchange rate by cutting costs and boosting productivity. The rise in the Canadian dollar has enabled Ontario businesses to increase investment in machinery and equipment at a lower cost, since about 60 per cent is imported. As a result of this response and growing world markets, the value of exports has picked up in 2004, rising by 8.0 per cent in the January through August period from a year earlier.

Ontario's manufacturing sector continues to have a competitive edge with the United States at an exchange rate of 80 cents US. First, its employees are highly skilled—47 per cent of employees hold a university degree or trades or colleges accreditation, compared to 31 per cent in the United States. Second, as noted in the table on the next page, its universal health care system contributes to a labour cost advantage—producers of 70 per cent of Ontario's manufacturing exports representing more than half of manufacturing employment in the province have a labour cost advantage over their U.S. competitors.

ONTARIO'S UNIVERSAL HEALTH CARE SYSTEM CONTRIBUTES TO EXPORT COMPETITIVENESS

"The public health system significantly reduces total labour costs… compared to the cost of equivalent private health insurance services purchased by U.S.-based automakers."

Joint letter from Ford Motor Co., General Motors Corp. and DaimlerChrysler quoted in the Washington Post, *March 6, 2004.*

Manufacturing Industries
Labour Cost* Advantage at $0.80 US

	Labour Cost Advantage (Per Cent)	Share of Manufacturing Exports (Per Cent)
Petroleum and Coal	23	1.4
Leather and Allied Products	22	0.04
Motor Vehicles	19	35.4
Auto Parts Manufacturing	15	11.3
Textile Products	10	0.2
Beverage and Tobacco	10	0.7
Chemicals	9	7.3
Non-Metallic	6	1.0
Computers and Electronics	5	4.9
Apparel	3	0.4
Printing	2	0.5
Electrical Equipment	1	2.1
Plastic and Rubber	1	4.7

* Wage plus health cost.

Sources: U.S. Bureau of Labor Statistics, Statistics Canada, Industry Canada and Ontario Ministry of Finance.

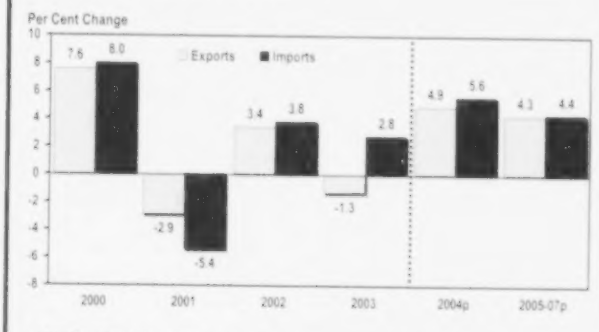
Exports Rebound

Heading into 2004, U.S. economic growth became more broadly based, with auto sales improving and firms increasing machinery and equipment expenditures, stimulating demand for Ontario-produced goods and services. At the same time, Ontario exporters were adjusting to the higher value of the Canadian dollar by lowering costs and improving production and distribution efficiencies.

Private-sector forecasters project that real exports from Ontario will accelerate, rising by 4.9 per cent in 2004 and an average of 4.3 per cent in 2005 to 2007.

Export growth will be supported by a stable level of U.S. auto sales and continued increases in business outlays on capital equipment, both of which are important parts of Ontario's trade. The auto industry is Ontario's dominant export sector, accounting for close to 47 per cent of the province's international merchandise exports. Following autos, machinery and equipment is Ontario's second leading source of exports, at about 20 per cent.

Ontario Real International and Interprovincial Trade



p = private-sector survey average
Sources: Statistics Canada and Ontario Ministry of Finance Survey of Forecasts (October 2004)

Private-sector forecasters expect U.S. auto sales to remain around 17 million units per year during the 2004 to 2007 period. Real business investment on machinery and equipment in the United States is projected to increase by 12.2 per cent in 2004 and 10.6 per cent in 2005.

Ontario exporters in the resource-based industries have benefited from strong demand for commodities and sharply higher prices. For example, the value of Ontario exports of forestry products has increased over 12 per cent during the first eight months of 2004 from the same period a year earlier.

However, the expected steady gain in exports cannot be taken for granted and Ontario producers face a number of challenges. Ontario exporters will need to persist in adjusting to a higher exchange rate in order to remain on top in today's increasingly competitive global marketplace. Continuous innovation to seize new opportunities is an important part of success in export markets.

STRENGTHENING BUSINESS INVESTMENT IN INNOVATION: RESEARCH AND COMMERCIALIZATION

"Our plan will make strategic government investments to encourage business development in innovative parts of our economy." *Progress Report 2004.*

Business investment plays a critical role in commercializing discoveries derived from public research. This includes investments in research partnerships with universities and hospitals; risk capital for new technology companies; licensing of new technologies; and support for local business-academic technology networks that encourage entrepreneurship and a culture of innovation.

There are also important benefits from having local businesses tap into the extensive know-how and expertise of the world-class scientific talent that is produced by Ontario's public research institutions—universities, colleges, hospitals and other institutes.

The Ontario Government is moving forward on a new research and commercialization framework that will aim to increase business investment and involvement in research performed by Ontario's public research institutions.

Recently, the Premier announced $300 million over four years in funding support for public research infrastructure.

This is on top of commitments since October 2003, of nearly $1.5 billion over four years in funding support for research and commercialization by Ontario's public research institutions, bringing the value of total projected investments over the next four years to $1.8 billion. This includes:

- Realigning Ontario's science and technology programs—which strengthen Ontario's research capacity and bolster innovation—to focus on commercialization.
- The Ontario Research Commercialization Program, which will provide $27 million over four years to help public research institutions identify discoveries with commercial potential.
- The Ontario Commercialization Investment Funds program, which would provide up to $36 million to leverage up to $120 million in new pools of seed capital for spinoff technology companies created by faculty, staff and students at Ontario public research institutions.

Each day, $640 million of goods are trucked across the bridges and tunnels at Windsor, Sarnia, Niagara Falls and Fort Erie that link Ontario and the United States. These vital conduits carry 69 per cent of total truck trade between Canada and the United States.

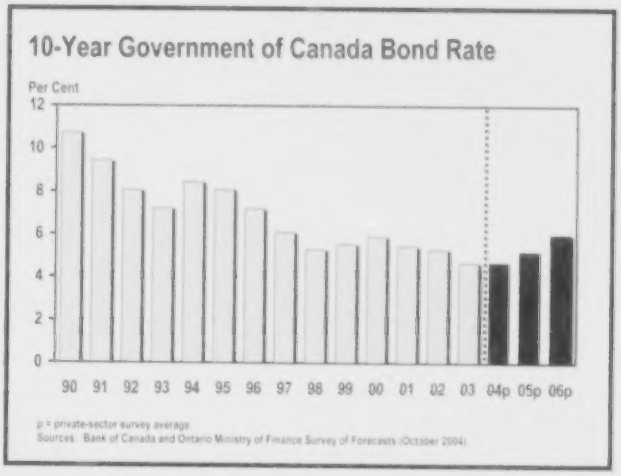
Of course, the United States is not our only trade partner. Ontario also has significant and well-established trade linkages with the rest of the world. The transformation and growth of China's economy have emerged as vital factors in the shape of world trade in the decades ahead. This will be significant for Ontario, as it will for all jurisdictions. Geography and history have made the United States overwhelmingly our most important trading partner, buying over 90 per cent of our international merchandise exports. Even explosive growth in our sales to China will not alter this key relationship over the next decade. Nonetheless, Ontario business is actively participating in the growth of trade with China. China, including Hong Kong, has become our second-largest two-way trading partner; it ranked fifth in 1996. Trade with China has grown by three and a half times from $3.9 billion in 1996 to an annualized $13.7 billion thus far in 2004. With a diverse population including a large Chinese community, Ontario is well positioned to further enhance trade with China.

Interest Rates Rising Gradually, Inflation Contained

Early in the year, the Bank of Canada brought short-term interest rates to their lowest level in more than 40 years. Since then, economic growth has improved. As a result, the Bank of Canada has increased interest rates by 50 basis points since September. With healthy economic growth expected to prevail through 2005, forecasters anticipate the Bank of Canada will continue to reduce monetary stimulus over the next year to lean against emergent inflationary pressures. While short-term interest rates have risen by about 50 basis points since the time of the Budget, long-term rates have declined by 15 basis points, indicating market confidence that the central bank will succeed in keeping the economy from overheating and that low inflation will be sustained. In comparison to the assumptions made in the May Budget, short-term interest rates have risen at close to the expected pace, but the decline in long-term rates was not anticipated.

The U.S. Federal Reserve began to raise short-term rates in June in order to bring monetary policy to a more neutral stance. Short-term nominal interest rates in the United States are currently 75 basis points below the equivalent rates in Canada.

According to private-sector forecasts, Canadian three-month treasury bill rates will rise by just over a percentage point from an average of 2.2 per cent in 2004 to 3.3 per cent in 2005. Long-term interest rates are projected to increase by less, rising from an average of 4.7 per cent in 2004 to 5.2 per cent in 2005.


10-Year Government of Canada Bond Rate
Per Cent
12
10
8
6
4
2
0
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04p 05p 06p
p = private-sector survey average
Sources: Bank of Canada and Ontario Ministry of Finance Survey of Forecasts (October 2004)

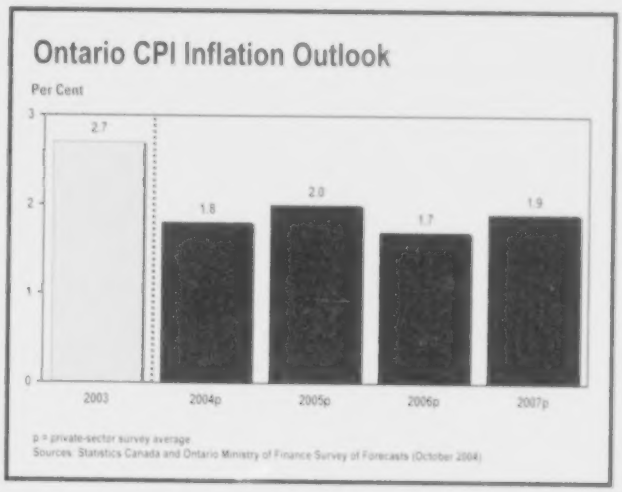
Canadian Interest Rate Outlook
(Annual Per Cent)

	2002	2003	2004p	2005p	2006p	2007p
3-month Treasury Bill Rate	2.6	2.9	2.2	3.3	4.2	4.6
10-year Government Bond Rate	5.3	4.7	4.7	5.2	6.0	6.0
Ontario CPI Inflation Rate	2.0	2.7	1.8	2.0	1.7	1.9

p= private-sector survey average.
Sources: Bank of Canada, Statistics Canada and Ontario Ministry of Finance Survey of Forecasts (October 2004).

The extent and pace of interest rate increases will depend in part on the path of inflation. Forecasters expect that Canada's and Ontario's CPI inflation rates will remain low, averaging close to two per cent over the forecast horizon.

One concern about the inflation outlook is the rapid rise in oil prices. Since the start of 2004, the price of a barrel of oil has jumped by more than 60 per cent to over $55 US in October.



This has resulted in higher gasoline prices, which have increased by over 20 per cent since January. Although forecasters expect oil prices to decrease to $38 US per barrel a year from now, strong demand and the potential for supply disruptions in the Middle East, Nigeria and Russia add considerable risk to oil price forecasts. Currently, futures markets expect oil to remain above $40 US per barrel through 2005. Since the time of the Budget, oil prices have averaged about $5 US per barrel more than expected, which by itself would tend to increase the CPI inflation rate by up to 0.4 percentage points in 2004.

However, despite the rise in oil prices, the province's CPI inflation rate is expected to average 1.8 per cent in 2004, down considerably from 2.7 per cent in 2003, and slightly below the Budget projection of 1.9 per cent. A number of factors have contributed to the lower rate of inflation this year. The most important is the Canadian dollar, which has appreciated against its U.S. counterpart by over 20 per cent since early 2003, lowering the cost of imported consumer goods and imported business inputs. Inflation has also been restrained by Ontario Government measures to reduce auto insurance costs. After boosting Ontario's annual CPI inflation rate by an average of about 0.8 percentage points in 2002 and 2003, declining auto insurance rates are helping to lower inflation this year. For example, September's Ontario CPI rate was 0.4 percentage points lower than it would have been had Ontario's auto insurance rate reduction initiatives not been implemented.

Financial markets influence the economy through more than the level of nominal and real interest rates. They also provide the mechanism that allows business to access the financing they need to grow and expand and provides investment and savings opportunities for citizens. Countries with financial systems that efficiently channel savings into productive investments tend to experience higher economic growth rates.

The regulatory environment must reinforce confidence in the financial sector so that it can support the competitiveness of industries operating in Ontario and across Canada. Canada's fragmented securities regulatory structure leads to duplicative costs, and related delays in market "windows" of opportunity, which dissuade firms from raising capital in multiple provinces. Only 16 per cent of reporting issuers in Canada report in all 10 provinces. Since Canada as a whole has only one-fortieth of the U.S. total stock-market trading by value, Canadian firms, especially small and medium-sized enterprises (SMEs), face a disadvantage in raising capital.

Progressive regulatory policies will ensure that Ontario's financial sector, which accounts for 328,000 jobs and 7.7 per cent of GDP, stays at the forefront in world capital markets and that key sectors of the economy have the access to capital they require to support their growth.

FINANCIAL SERVICES

Competitive and effective financial markets play an important role in attracting broad and active participation of investors and, in turn, listed firms. Regulations play a key market-reinforcing role, underpinning investor and consumer confidence and market integrity.

To ensure that Ontario-regulated financial enterprises can continue to compete and grow in dynamic local and global markets, and that Ontario consumers and investors continue to be well protected, the government is taking steps to modernize regulatory frameworks in several financial markets.

- As part of its consideration of the Five Year Review of the Ontario *Securities Act*, on October 18, 2004, the Ontario Legislative Assembly's Standing Committee on Finance and Economic Affairs (SCFEA) released a report that unanimously endorsed the Province's proposal for a single securities regulator. It signalled that the Ontario Government is right in taking a leadership role to move to a common securities regulator for Canada. The Ontario Government will continue to consult with investors, companies, securities firms, and other provinces and territories on this priority initiative in order to enhance financial market efficiency, provide strong protection for investors, and attract international investment.
- Other recommendations in SCFEA's report will help ensure a modern securities regulatory system and strong investor confidence and protection. The Ontario Government plans to take action relating to civil liability for secondary market disclosure and new timelines for future securities law review committees, and expects to develop proposed legislation in the near future.
- As announced in the 2004 Ontario Budget, legislation to clarify that investors in publicly traded trusts will not be liable for the activities of the trust has been introduced and is currently before the Legislative Assembly as part of the *Budget Measures Act, 2004 (No. 2)*, Bill 106.
- As announced in the 2004 Budget, the government is taking steps to modernize the *Mortgage Brokers Act*. A consultation paper was released in June 2004. The Parliamentary Assistant to the Minister of Finance has been consulting with stakeholders. Work is underway to prepare a Consultation Draft of a new *Mortgage Brokers Act*.

RISKS TO THE ECONOMIC OUTLOOK

The private-sector economists who met with the Ministry of Finance in September were in broad agreement that the most likely path for the Ontario economy was one of sustained growth. However, they cautioned that a variety of external factors pose risks that need to be taken into account. Foremost among these risks are oil prices, the health of the U.S. economy and the Canada-U.S. exchange rate.

The table on the next page shows the typical range for the first- and second-year impact of changes in these external factors on the real growth of our economy. These estimates are based on historical relationships and illustrate the upper and lower bounds for the average response. The results show the implications of changes in key assumptions in isolation from changes to other external factors. In any actual situation, the combination of other circumstances can also have a substantial bearing on the outcome. The range of possible impacts reflects a variety of factors.

- For example, each percentage point increase in U.S. real growth adds 0.3 to 0.7 percentage points to real growth in Ontario in the first year. In this case, the range in part reflects the fact that the impact on Ontario growth depends on the composition of U.S. growth.
- A five-cent rise in the Canadian dollar reduces Ontario growth by 0.2 to 0.9 percentage points in the first year. This range reflects a number of uncertainties, such as the extent to which firms pass through lower costs for imports because of the higher Canadian dollar to prices for goods and services in Canada.
- A sustained $10 US per barrel increase in the price of world crude oil trims Ontario's real growth by 0.3 to 0.7 percentage points in the first year. This impact also assumes natural gas prices rise in the same proportion to oil prices, since they are substitute sources of energy. Furthermore, the contractionary impact of higher world oil prices on U.S. demand also hurts Ontario exports. The range is due in part to uncertainty regarding the degree to which higher energy costs increase consumer prices.

RISKS TO THE ECONOMIC OUTLOOK (CONT.)

Impact of Changes in Key Assumptions on Ontario Real GDP Growth*

(Percentage point change)	First Year	Second Year
Canadian Interest Rates Increase by 1 Percentage Point	-0.1 to -0.5	-0.2 to -0.6
U.S. Real GDP Growth Increases by 1 Percentage Point	+0.3 to +0.7	+0.4 to +0.8
Canadian Dollar Appreciates by 5 Cents US	-0.2 to -0.9	-0.7 to -1.4
World Crude Oil Prices Increase by $10 US per Barrel	-0.3 to -0.7	-0.1 to -0.5

* Impacts based on changes being sustained.

Source: Ontario Ministry of Finance.

Moderate Growth in Household Spending

Growth in household spending on consumer goods and services moderated in 2004 from last year, although housing market activity remains robust. Ontario's positive economic environment will be supportive as incomes are lifted by solid job creation, interest rates remain at low levels by historical standards and household balance sheets continue to be healthy.

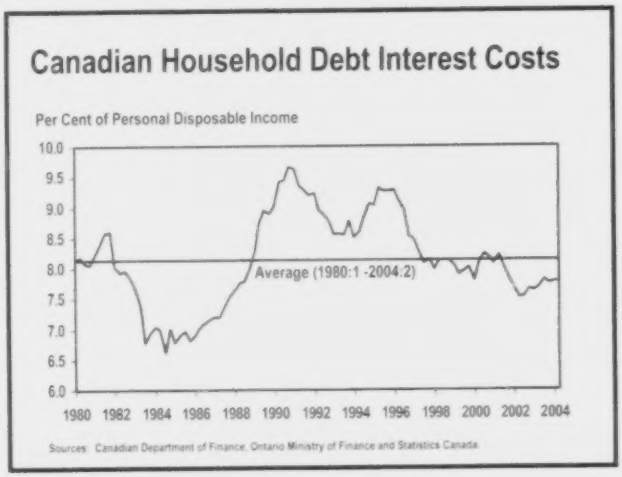
The Ontario housing market remains strong. Housing starts have generally trended higher since 1996 and hit a 14-year high of 85,200 units in 2003. This year, starts are expected to reach 83,200 units, one of the highest levels since 1989, according to the average private-sector forecast. The relative strength in the Ontario housing market is a result of prevailing low mortgage rates and rising incomes, which makes home ownership affordable. Over the medium term, housing starts are forecast to moderate.

Recently, mortgage rates have started to rise. Average five-year mortgage rates are currently 6.3 per cent, up from a low of 5.7 per cent in April, though lower rates are negotiable.

Ontario's resale market continued to strengthen in 2004 and is expected to surpass last year's record performance. Over the first nine months of 2004, home resales are up 8.6 per cent compared to the same period a year earlier. In 2004, over 195,000 existing homes are expected to be sold and prices are anticipated to rise by 7.2 per cent. Modestly higher interest rates are expected to keep the strong housing market from overheating and to cause the level of activity to moderate, yet still remain at healthy levels over the next few years.

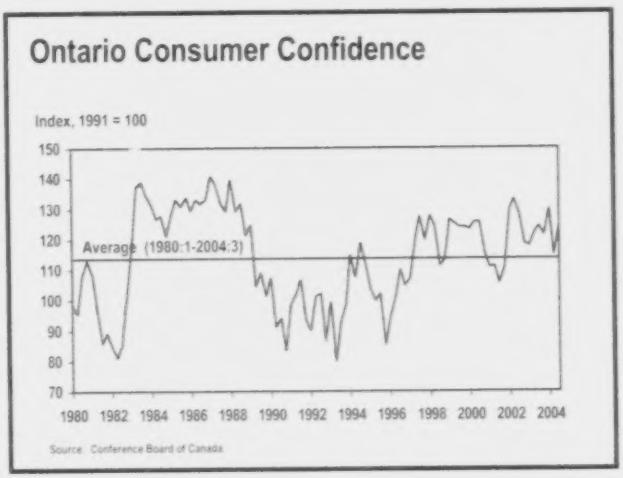
While housing market activity remains healthy, household spending has moderated, most notably for autos. Private-sector forecasts on average expect real consumer spending to rise 2.2 per cent in 2004, following a 3.0 per cent rise in 2003. The robust housing market has lifted spending in 2004 as household-related purchases have been a significant contributor to consumer spending growth. Furniture and electronic store sales are up 6.1 per cent over the first eight months of 2004. Sales by home-furnishings stores alone are 23.0 per cent higher. Home centres and hardware stores have also benefited, with year-to-date sales up 4.0 per cent over the January to August period of 2004.

The rapid pace of home-buying activity has contributed to higher household debt. With a moderate increase in interest rates expected, debt-servicing costs will rise gradually, but household balance sheets appear well positioned to absorb this. The ratio of Canadian household debt costs to personal disposable income was 7.8 per cent in the second quarter of 2004, below the 8.1 per cent average recorded since 1980. The ratio has remained stable since the end of 2001, ranging between 7.5 and 7.8 per cent, due to low interest rates and rising personal incomes.



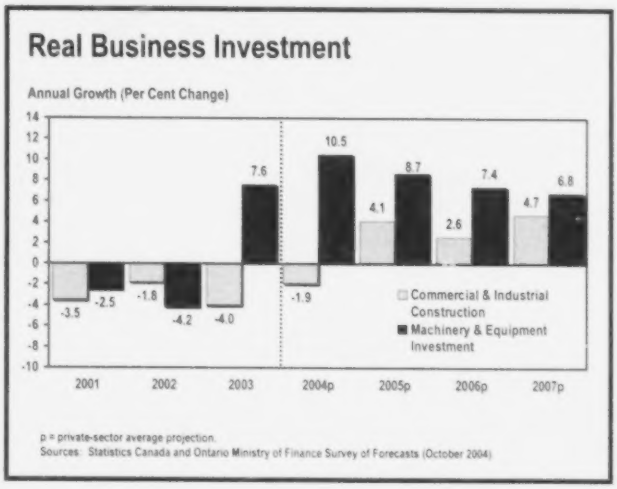
The wealth effect associated with increased real estate and higher house prices has contributed to households' ability and willingness to spend. Although house prices are unlikely to continue rising at the pace of recent years, a substantial downward movement also appears unlikely.

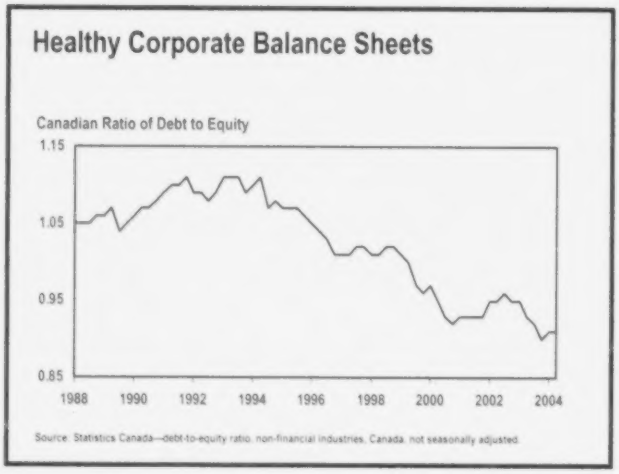
Ontario consumer confidence has improved. In the third quarter, the Conference Board of Canada's index of confidence for Ontario reached its highest level in a year. There has been a rise in the proportion of households that feel better about their financial prospects in the near term, along with an increased willingness by consumers to make a major purchase. Currently, the index is 9.1 per cent above the average for the 1980 to 2004 period.



Business Investment Upswing Underway

After years of tepid growth, business investment is in the midst of a strong capital expenditure expansion, supported by stronger global economic growth, rising profits, healthy corporate balance sheets, diminishing spare capacity and lower equipment prices. Private-sector forecasters expect Ontario businesses to increase real spending on machinery and equipment by 10.5 per cent in 2004, the strongest annual gain since 1997. Outlays on machinery and equipment are projected to rise by 7.6 per cent per year during the 2005 to 2007 period. Since about 60 per cent of machinery and equipment investment is imported, the more than 20 per cent appreciation of the Canadian dollar since early 2003 has substantially lowered the cost of these investment inputs, prompting firms to increase capital expenditures.





Stronger investment in machinery and equipment will boost productivity, helping Ontario businesses compete, despite the higher level of the Canadian dollar. Innovation in new products and processes also requires investment in capital goods. Having declined for five consecutive years, real business investment expenditures on new building projects are forecast to increase by 4.1 per cent in 2005 and an average of 3.7 per cent in the following two years, according to the private-sector consensus.

Business balance sheets are in good shape. The corporate debt-to-equity ratio has been declining for about a decade, while profits have increased sharply by over 62 per cent since their trough in late 2001. Private-sector forecasters expect that corporation profits in Ontario will grow by 16.3 per cent in 2004, 9.7 per cent in 2005 and an average of 4.9 per cent in 2006 and 2007.

Ontario Profits Trend Upward

Source: Ontario Economic Accounts

Stronger global demand has contributed to a higher rate of industrial output in Ontario, pushing up capacity utilization. At the national level, the industrial capacity utilization rate reached 84.6 per cent in the second quarter of 2004, the highest in three and a half years. Manufacturing industries operated at 86.6 per cent of productive capacity, the highest rate since late 1999.

ONTARIO INVESTS IN MANUFACTURING SKILLS AND RESEARCH

With $100 million assistance through the Ontario Automotive Investment Strategy, Ford Motor Company has announced plans to invest $1 billion at its operations in Oakville, making it Ford's first flexible assembly plant in Canada capable of producing more new vehicles, more quickly and more efficiently. The facility will also be home to a ground-breaking research and development centre focusing on fuel cell technology.

A modern and efficient infrastructure is essential if Ontario is to remain a location of choice for business investment. The Ontario Government recognizes that infrastructure is a key foundation for prosperity and is creating a Ten-Year Infrastructure Plan to meet the Province's needs. This plan is discussed in more detail in Annex II. An important component of infrastructure is a dependable electrical generation and distribution system, which is critical for the smooth and effective operation of a modern economy. The government is taking necessary steps to secure an adequate supply of electricity as outlined below.

ELECTRICITY SECTOR REFORMS

On June 15, 2004, the government introduced Bill 100, the *Electricity Restructuring Act*, that, if passed, would:

- Create a new Ontario Power Authority (OPA) to ensure an adequate, long-term supply of electricity and encourage conservation through a new Conservation Bureau led by the province's first Chief Energy Conservation Officer;
- Enable the Ministry of Energy to set targets for conservation, renewable energy and the overall supply mix of electricity in the province;
- Redefine the role played by the Independent Electricity Market Operator (IMO), as defined in its new name—the Independent Electricity System Operator. Some of the current responsibilities of the IMO would be moved to the Ontario Energy Board (OEB) and the proposed OPA;
- Create incentives for more private-sector investment in new generation to help meet growing demand; and
- Regulate prices in parts of the electricity sector that would be reviewed and approved periodically by the OEB to ensure price stability for consumers.

These proposed reforms are expected to be implemented early in 2005 and, along with other government actions, would:

- Ensure that prices would be more stable while reflecting the true cost of electricity, including the elimination of the Province's and OEFC's liability for the above-market portion of the approximate 90 existing power purchase agreements;
- Improve OPG performance through government actions to improve management and board oversight at OPG, and the move to regulation by the OEB of OPG's nuclear and baseload hydroelectric assets; and
- Ensure sufficient electricity supply and encourage electricity conservation, providing the foundation of a strong, competitive and innovative economy.
  - The government has already taken actions to ensure new renewable and clean electricity supply. The Ministry of Energy has issued two requests for proposals (RFP). The RFP for 300 MW of renewable generation has closed and proposals are currently being evaluated. Proposals under the RFP for 2,500 MW of clean generation and demand-side projects must be submitted no later than December 15, 2004.

Growth Performance in Ontario's Regions

Each region of Ontario faces unique challenges and opportunities.

Over the last 12 months (September 2003 to September 2004), four out of five of Ontario's regions added new jobs and saw their unemployment rate drop[1]:

Ontario Region	Employment Change (%)	Net Job Change	Unemployment Rate, Sept. 2004	Unemployment Rate Change from Sept. 2003
Southwestern	+ 3.7%	+ 28,700	6.3%	down 0.4 percentage points
GTA	+ 2.7%	+ 76,000	7.4%	down 0.4 percentage points
Central	+ 0.9%	+ 13,100	5.4%	down 0.8 percentage points
Eastern	+ 0.5%	+ 4,000	6.3%	down 0.4 percentage points
North	- 1.6%	- 6,000	8.0%	up 0.2 percentage points

[1] Note: regional figures are seasonally adjusted, three month moving averages.

BUILDING STRONG COMMUNITIES AND VIBRANT CITIES

The government is committed to improving the quality of life for all Ontarians through the creation of strong communities in all regions of Ontario. The government has undertaken a number of measures to support Ontario's municipalities and to work in partnership on shared challenges:

- The government will assume 75 per cent of the cost of public health by 2007.
- The government is delivering on its commitment to make two cents a litre of provincial gas tax revenue available to municipalities for public transit by October 2006. Effective October 2004, municipalities will start receiving one cent a litre in provincial gas tax revenue, increasing to one and a half cents in October 2005, and two cents in October 2006.
- The government has committed over $448 million in transit capital, including support for the Toronto Transit Commission, expansion of GO Transit, a bus rapid-transit system for the Greater Toronto Area (GTA), and technical studies and environmental assessments for the Ottawa O-Train and Waterloo Region's Light Rapid Transit (LRT).
- The government will soon be launching, with the federal government and the Association of Municipalities of Ontario, the $900 million Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF) for small and rural municipalities to improve water and wastewater treatment systems, waste management and to fix local roads and bridges.
- The government is providing up to $5 million annually in matching education property tax assistance to remediate brownfields sites.
- Municipalities have been provided with greater flexibility in 2004 to determine tax rates for homeowners and businesses.

BUILDING STRONG COMMUNITIES AND VIBRANT CITIES (CONT.)

- The government has established the Ontario Strategic Infrastructure Financing Authority (OSIFA) to provide affordable financing for public infrastructure priorities and to issue Infrastructure Renewal Bonds, providing Ontarians with an opportunity to invest in their communities.
- OSIFA is assisting 170 municipalities across the province by providing over $2 billion in low-cost financing for over 1,000 local projects.
- The Province is investing over $400 million to support source-to-tap drinking-water initiatives, which includes over $250 million in capital funding.
- The government passed the *Greenbelt Protection Act, 2004*, implementing a moratorium on new urban development in the Golden Horseshoe Area. The government has released a draft plan for consultation to establish a Golden Horseshoe Greenbelt and intends to have a final plan ready by mid-December.
- In consultation with stakeholders, the government is developing Places to Grow, a framework to guide infrastructure investment in support of sustained growth in the Greater Golden Horseshoe—a region whose economic strength is a key driver of Ontario's prosperity.
- In November 2003, the Province signed the Canada-Ontario Affordable Housing Agreement. In February 2004, $56 million in joint federal-provincial funding was allocated for more than 2,300 new affordable housing units.

Economic growth has been slower in northern Ontario than in other parts of the province. The Ontario Government is committed to ensuring that the north fully shares in the province's opportunities.

NORTHERN PROSPERITY

Ontario government initiatives to support economic prosperity and job opportunities in the north include:

- The Northern Ontario Prosperity Plan was announced in the 2004 Budget and formally launched in June. The Plan includes economic initiatives such as:
  - The Northern Ontario Grow Bonds pilot project, which would improve access to financing for new and expanding small and medium-sized businesses in northern Ontario; and
  - Go North Investor Program, an international marketing initiative to showcase northern Ontario's competitive advantages and attract investment.
- Funding for the Northern Ontario Heritage Fund Corporation (NOHFC) rose by $35 million for 2004-05. As part of the Northern Ontario Prosperity Plan, a refocused NOHFC will return to its original mandate of fostering private-sector job creation.
- The government is moving forward with plans to improve northern Ontario's road infrastructure through a $256 million Northern Highways Program.
- OSIFA was created in the 2004 Ontario Budget as an innovative financing vehicle to be used by Ontario communities to renew and build critical public infrastructure. To date, OSIFA is assisting 41 northern municipalities with $219 million in low-cost loans to assist in renewing their local infrastructure.
- The government is investing in skills development in northern Ontario. For example, construction has begun on the Northern Ontario Medical School.
- The government is listening to the people of northern Ontario. Four new Northern Development Councils (NDCs) will provide direct input from northerners on policy decisions that affect their region's prosperity and quality of life. In particular, the Far North NDC is an important step towards building a new co-operative partnership with northern Ontario's remote First Nations communities.

Conclusion

Ontario's economic performance is in line with the outlook presented in the 2004 Budget. Full-time job creation is on track for the largest gain in four years. Ontarians will see rising real after-tax income per capita this year, following a three-year period over which there was no growth. While higher oil prices and the recent rapid appreciation of the Canadian dollar to a 12-year high pose a particular challenge for Ontario, exporters are adjusting by lowering costs and investing in improved production and distribution efficiencies. Consumers benefit from the higher dollar through cheaper imports.

The government recognizes that economic prosperity is built on our strengths: a highly skilled workforce; an effective infrastructure system, including a reliable supply of energy; a competitive business cost environment; and modern, efficient public services. The Province is pursuing strategies to strengthen the foundations for the next generation of economic growth. These include expanding apprenticeship training and post-secondary enrolment, providing programs to make the best use of the skills and talents of immigrants, supporting infrastructure expansion, and strengthening the economies of Ontario's cities and regions. These strategies are being pursued as part of a responsible and accountable fiscal plan, which is described further in Annex II.

Appendix: Details of the Ontario Economic Outlook

The Ontario Economy, 2002 to 2007

	Actual		Projected			
(Per Cent Change)	2002	2003	2004	2005	2006	2007
Real Gross Domestic Product	**3.7**	**1.6**	**2.3**	**3.2**	**3.1**	**3.3**
Personal consumption	3.6	3.0	2.2	2.6	3.0	3.2
Residential construction	9.3	4.9	5.6	-0.7	1.3	2.4
Non-residential construction	-1.8	-4.0	-2.4	2.3	3.1	3.0
Machinery and equipment	-4.2	7.6	10.8	6.7	5.9	5.4
Exports	3.4	-1.3	5.1	4.8	3.9	3.9
Imports	3.8	2.8	5.5	5.1	4.1	4.2
Nominal Gross Domestic Product	**5.7**	**3.2**	**4.4**	**5.1**	**5.1**	**5.2**
Other Economic Indicators						
Retail sales	5.9	3.4	2.9	4.1	4.1	4.3
Housing starts (000s)	83.6	85.2	82.2	76.0	75.0	74.0
Personal income	2.8	2.5	3.5	4.5	4.8	4.9
Wages and salaries*	3.8	2.9	3.4	4.4	5.1	5.2
Corporate profits	21.5	1.5	8.6	6.6	5.0	5.5
Consumer Price Index	2.0	2.7	1.8	2.0	1.9	1.8
Labour Market						
Employment	1.8	2.6	1.7	1.8	2.0	2.1
Job creation (000s)	105	161	103	112	131	138
Unemployment rate (per cent)	7.1	7.0	6.7	6.5	6.2	5.9

* Includes supplementary labour income.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, and Ontario Ministry of Finance.

ANNEX II

Ontario's Finances

Introduction

One year ago, former provincial auditor Erik Peters was asked by the Premier-designate to undertake an independent review of the Province's finances. The review concluded that the Province faced a potentially large deficit for 2003-04, now confirmed to be $5.5 billion. This deficit was not a one-year anomaly in an otherwise healthy fiscal situation. It was a structural deficit caused by several years of much faster growth in program spending than in government tax revenues. The structural deficit also raised significant accountability and transparency issues.

The 2004 Ontario Budget set out a four-year plan to improve accountability and transparency, and restore fiscal balance. The cornerstone of this plan is the proposed Fiscal Transparency and Accountability Act (FTAA), introduced in the legislature last May. Key elements of the proposed Act include requirements for a multi-year fiscal plan, a discussion of risks in the budget and mid-year report, as well as a pre-election report on the Province's finances that would be reviewed by the Provincial Auditor.

The 2004 Budget laid out the government's four-year plan to achieve a balanced budget through a mix of revenue generation, cost-containment measures and economic growth initiatives. The structural deficit inherited from the previous government is being dealt with by taking a balanced and responsible approach to deficit reduction over the medium term, while providing funding for necessary programs and services to the public. The government is on track to achieve its multi-year fiscal plan. The $5.5 billion deficit in 2003-04 will be reduced to $2.2 billion in 2004-05, $2.1 billion in 2005-06 and $1.5 billion in 2006-07. Ontario's books will be balanced by 2007-08.

This paper will provide an overview on:

- **Section I**: 2004-05 Second Quarter Fiscal Update;
- **Section II**: Medium-Term Fiscal Plan and Outlook; and
- **Section III**: Potential Risks, Cost Drivers and Contingent Liabilities.

Section I: 2004-05 Second Quarter Fiscal Update

2004-05 Fiscal Summary

As at September 30, a deficit of $2,168 million is projected in 2004-05, an in-year improvement of $71 million from the deficit projected in the 2004 Budget and an improvement of $67 million from the outlook presented in the First Quarter Ontario Finances. The current 2004-05 fiscal outlook reflects the projected fiscal impact of the recent First Ministers' health agreement, which will increase Ontario's revenue and health spending by $824 million. The majority of these investments will be used to reduce wait times and improve access to primary care, home care, and community mental health care services.

2004-05 Fiscal Outlook
($ Millions)

	Actual 2003-04	Budget Plan 2004-05	Outlook* 2004-05	In-Year Change
Revenue**	68,400	78,360	79,041	681
Expense				
Programs	62,104	66,695	67,520	825
Capital	2,175	2,575	2,575	--
Interest on Debt	9,604	10,329	10,114	(215)
Total Expense	73,883	79,599	80,209	610
Reserve	--	1,000	1,000	--
Surplus / (Deficit)	**(5,483)**	**(2,239)**	**(2,168)**	**71**

* Second-quarter fiscal forecast as at September 30.

** Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

Source: Ontario Ministry of Finance.

- Total revenue is projected at $79.0 billion, a net increase of $0.7 billion from the 2004-05 Budget Plan. This increase is primarily due to the First Ministers' health agreement, which increases federal payments to Ontario by $824 million.
- Total expense is projected to increase to $80.2 billion, up a net $0.6 billion from the Budget Plan. As a result of the recent First Ministers' health agreement, the Ministry of Health and Long-Term Care will receive an additional $824 million that will be spent on health care for Ontarians. This increase is partially offset by interest on debt savings of $215 million.
- The reserve, included to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, is unchanged at $1 billion. Any portion of the reserve not required at year-end will be used to reduce the deficit.

IN-YEAR REVENUE PERFORMANCE

Total revenue in 2004-05 is projected at $79,041 million, a net increase of $681 million from the 2004-05 Budget Plan and $677 million over the First Quarter Ontario Finances, mainly due to new revenues provided under the First Ministers' health agreement.

Summary of 2004-05 In-Year Revenue Changes Since Budget
($ Millions)

Revenue Changes This Quarter:*		
Taxation Revenue		
Personal Income Tax	130	
Retail Sales Tax	(160)	
Gasoline Tax	(65)	
Land Transfer Tax	50	
		(45)
Government of Canada		
Canada Health Transfer	388	
Medical Equipment	194	
Wait Times Reduction Fund	242	
		824
Income from Government Enterprises		
Ontario Lottery and Gaming Corporation	(102)	
Liquor Control Board of Ontario	(9)	
		(111)
Other Non-Tax Revenue		
Liquor Licence Revenue	8	
Miscellaneous Other Non-Tax Revenue	1	
		9
Total Revenue Changes This Quarter		**677**
Net Revenue Changes Reported in First Quarter Ontario Finances		**4**
Total In-Year Revenue Changes		**681**

* Second-quarter fiscal forecast as at September 30.
Source: Ontario Ministry of Finance.

Changes to the revenue forecast this quarter include:

- Personal Income Tax revenue increasing by $130 million primarily due to higher 2003 tax assessments.
- Retail Sales Tax revenue decreasing by $160 million primarily due to weaker consumer durable goods expenditures, notably low levels of vehicle sales to date this year.
- Gasoline Tax revenue decreasing by $65 million due to reduced consumption corresponding to higher pump prices for gasoline.
- Land Transfer Tax revenue increasing by $50 million due to continued high levels of housing resales.
- Federal Payments increasing by $824 million based on the First Ministers' health agreement. This amount includes increases in the Canada Health Transfer ($388 million), Medical Equipment revenue ($194 million) and new revenue ($242 million) for the Wait Times Reduction Fund.
- Ontario Lottery and Gaming Corporation (OLGC) net income decreasing by $102 million largely due to lower earnings from the border casinos. Business at border casinos continues to be adversely affected by the decreasing value of the U.S. dollar and perceived border-crossing slowdowns. Lower Pro-Line lottery profits attributable to the National Hockey League labour dispute also lowered the OLGC net income outlook.
- Market developments in the brewing industry have led to a move of warehousing and shipping functions for some products from the Liquor Control Board of Ontario (LCBO) to the brewing industry. This results in a $9 million reduction in LCBO net income through lower mark-up revenue ($8 million) and lower out-of-store cost of service fees ($1 million). The lower LCBO mark-up revenue is fully offset by increased Alcohol and Gaming Commission of Ontario fees, resulting in increased Liquor Licence Revenue of $8 million.
- Miscellaneous Other Non-Tax Revenue increasing by $1 million from the Proceeds of Crime and Civil Remedies Special Purpose Accounts to offset the cost of managing forfeited assets as a result of combatting indoor marijuana grow operations in 2004-05.

IN-YEAR EXPENSE PERFORMANCE

As at September 30, total expense for 2004-05 is projected at $80,209 million, up a net $610 million from the 2004-05 Budget Plan and First Quarter Ontario Finances. This increase is largely due to increased health spending of $824 million, equal to Ontario's entitlement based on the First Ministers' health agreement. This increase is partially offset by interest on debt savings of $215 million.

Summary of 2004-05 In-Year Expense Changes Since Budget
($ Millions)

Operating Expense Changes This Quarter:*		
Health Spending—increase reflects First Ministers' health agreement	824	
Justice Technology Service—transfer to Ministry of the Attorney General	8	
Fully offset from Ministry of Community Safety and Correctional Services	(8)	
Peterborough flood disaster assistance	5	
Fully offset from the Contingency Fund	(5)	
Integrated Financial Information System—implementation	3	
Fully offset from the Contingency Fund	(3)	
Managing forfeited assets—combatting indoor marijuana grow operations	1	
Interest on debt savings	(215)	
Total Operating Expense Changes This Quarter		**610**
Capital Expense Changes This Quarter:*		
Ontario Research Fund	13	
Fully offset from the Capital Contingency Fund	(13)	
Peterborough flood disaster assistance	3	
Fully offset from the Capital Contingency Fund	(3)	
Total Capital Expense Changes This Quarter		**--**
Net Expense Changes Reported in First Quarter Ontario Finances		**--**
Total In-Year Expense Changes		**610**

* Second-quarter fiscal forecast as at September 30.
Sources: Ontario Ministry of Finance and Ontario Ministry of Public Infrastructure Renewal.

Operating Expense Changes

- As a result of the recent First Ministers' health agreement, the Ministry of Health and Long-Term Care will receive an additional $824 million that will be spent on health care for Ontarians. Of the additional $824 million, $194 million has been allocated for the purchase of medical equipment. The remaining $630 million will be used for investments to reduce wait times and improve access to primary care, home care and community mental health care services.
- An additional $8 million was provided in-year to the Ministry of the Attorney General as a result of the transfer of Justice Technology Services from the Ministry of Community Safety and Correctional Services.
- An in-year expense increase of $5 million in the Ministry of Municipal Affairs and Housing, fully offset from the Contingency Fund, was provided for disaster relief assistance due to the flooding in Peterborough in July 2004. This funding supported emergency costs incurred by individuals and small businesses, as well as public emergency response costs for the municipality.
- An additional $3 million was provided in-year for the continued implementation of the Integrated Financial Information System, fully offset from the Contingency Fund. The Ministry of the Attorney General, Ministry of Community Safety and Correctional Services and Management Board Secretariat each received $1 million.
- An additional $1 million was provided in-year to the Ministry of the Attorney General for the costs of managing forfeited assets as a result of combatting indoor marijuana grow operations in 2004-05, fully offset by revenue.
- Savings of $215 million on interest on debt are attributable to lower-than-planned interest rates and cost-effective debt management.

Capital Expense Changes

- An additional $13 million was provided to the Ministry of Economic Development and Trade for the Ontario Research Fund, fully offset from the Capital Contingency Fund, to match the federal government's Canada Foundation for Innovation (CFI) grants. This funding will enable Ontario researchers to acquire and upgrade equipment and infrastructure to enhance research.
- An in-year expense increase of $3 million in the Ministry of Municipal Affairs and Housing, fully offset from the Capital Contingency Fund, was provided for disaster relief assistance due to the flooding in Peterborough in July 2004. This funding is supporting the repair of public infrastructure in the Peterborough area.

ONTARIO STRATEGIC INFRASTRUCTURE FINANCING AUTHORITY

In the 2004 Ontario Budget, the government created the Ontario Strategic Infrastructure Financing Authority (OSIFA) as an innovative financing vehicle that can be used by the broader public sector to renew and build critical public infrastructure assets. Renewing Ontario's public infrastructure improves the quality of public services and helps build a strong and prosperous economy. This financing vehicle also provides the federal government with an opportunity to partner with Ontario. We continue to encourage the federal government to participate in renewing Ontario's infrastructure.

OSIFA Infrastructure Renewal Loan Program

OSIFA will continue to develop and implement an infrastructure renewal loan program that provides efficient and affordable financing to meet critical municipal, health and housing infrastructure priorities. OSIFA is based on a proven "pooled financing" concept that aggregates the infrastructure investment needs of many borrowers into one borrowing pool. OSIFA offers low-cost and longer-term financing to assist borrowers in renewing their infrastructure. The loans provided by OSIFA will be a key vehicle to achieving critical infrastructure objectives, particularly for many small municipal and other broader public-sector borrowers. Larger borrowers can benefit from significant savings on transaction costs.

OSIFA's 2004-05 infrastructure renewal loan program, announced in the 2004 Ontario Budget, is focusing on Ontario's municipalities, offering affordable infrastructure financing for key municipal priorities: clean water infrastructure, sewage and waste management infrastructure, municipal roads and bridges, public transit, municipal long-term care facilities and renewal of municipal social housing. OSIFA is assisting 170 Ontario municipalities in communities across the province. Over $2 billion in OSIFA financing is helping these municipalities with infrastructure investments for over 1,000 local projects.

Infrastructure Renewal Bonds

Funding for the Authority's infrastructure renewal loan program will come from the proceeds of the sale of Infrastructure Renewal Bonds (IRBs). These bonds will be available to institutional and individual investors. They will offer an investment that is backed by the credit strength of the broader public sector. As promised in the 2004 Ontario Budget, the first issue of IRBs will take place later this fiscal year. IRBs will provide local investors with a solid investment for their families and an opportunity to invest in Ontario's local infrastructure.

Ontario Strategic Infrastructure Financing Authority Loans/Commitments

Category	Category Commitments	Total Loans/ Commitments ($ Millions)	%
Clean Water Infrastructure	126	599	28
Sewage Infrastructure	83	641	30
Waste Management Infrastructure	17	67	3
Municipal Roads	70	434	20
Municipal Bridges	41	83	4
Public Transit	13	161	7
Municipal Long-Term Care	10	181	8
Total		**2,166**	**100**

Note: Numbers may not add due to rounding.
Source: Ontario Strategic Infrastructure Financing Authority.

Some examples of OSIFA's low-cost loans include over $5 million for sewage infrastructure in St. Clair Township; $0.9 million for clean water in Killarney; $0.3 million for bridges in Thames Centre; and $6.7 million for roads in the County of Dufferin.

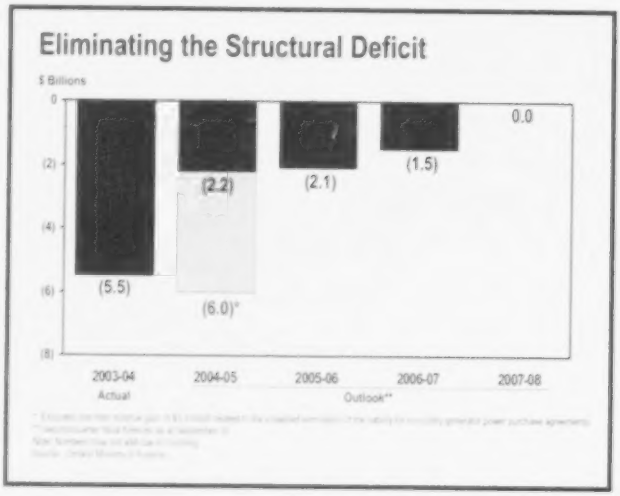
Round 2 of OSIFA's 2004 loan program closed on October 29, 2004. An announcement indicating the approved municipal applications will be made shortly. For more information on OSIFA's loan program, please visit www.osifa.on.ca.

Section II: Medium-Term Fiscal Plan and Outlook

Medium-Term Fiscal Plan

In 2000-01, program spending by the previous government began to grow significantly faster than the rate of growth in taxation revenues, gradually creating the conditions for the fiscal imbalance or structural deficit that persists today. The current government's plan to eliminate the structural deficit will be achieved by transforming and modernizing government, and by holding program spending growth to less than the rate of growth in taxation revenues over the medium term.

The 2004 Budget laid out a clear four-year strategy to eliminate the structural deficit and achieve a balanced budget through a mix of revenue generation, cost-containment measures and economic growth initiatives. The government's medium-term fiscal plan includes steadily declining deficit targets of $2.2 billion in 2004-05, $2.1 billion in 2005-06, $1.5 billion in 2006-07 and a balanced budget by 2007-08.



The government is on track to meet these targets. As at September 30, the projected fiscal outlook is a deficit of $2,168 million in 2004-05, an improvement of $71 million from the target set out in the 2004 Budget. The deficit target of $2.2 billion includes a one-time revenue gain of $3.9 billion related to the projected elimination of the above-market liability for power purchase agreements with non-utility generators, if the proposed new legislation is passed, and the electricity market structure is in place this fiscal year.

Medium-Term Fiscal Outlook

The government's medium-term fiscal outlook originally outlined in the 2004 Budget has been updated to reflect the impact of the recent First Ministers' health agreement. As a result of the agreement, Provincial revenues and Ministry of Health and Long-Term Care spending have both increased by $0.8 billion in 2004-05, $1.2 billion in 2005-06, and $1.3 billion in 2006-07 and 2007-08. The government's deficit targets for the medium term are unchanged, culminating in a balanced budget in 2007-08.

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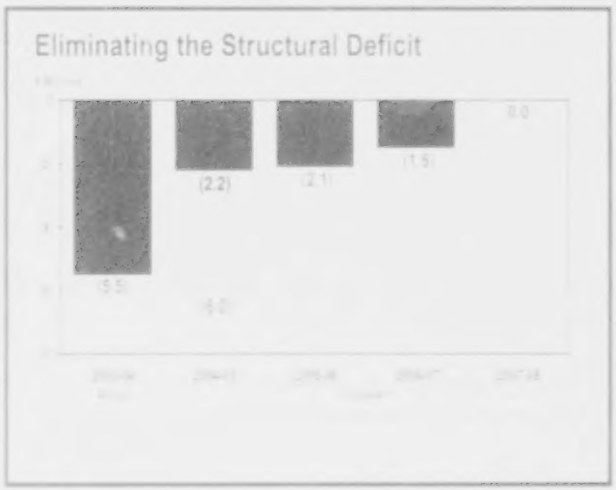

The government is on track to meet these targets. As at September 30, the projected fiscal outlook is a deficit of $2,168 million in 2004-05, an improvement of $73 million from the target set out in the 2004 Budget. The deficit target of $2.2 billion includes a one-time revenue gain of $3.9 billion related to the projected elimination of the Ontario market liability for power purchase agreements with non-utility generators, if the proposed new legislation is passed, and the electricity market structure is in place this fiscal year.

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The following table outlines the current medium-term fiscal plan and outlook for the Province, including details of key revenue sources and planned spending for key sectors through to 2007-08.

Medium-Term Fiscal Outlook*
($ Billions)

	2004-05	2005-06	2006-07	2007-08
Revenue				
Taxation Revenue	54.0	57.7	60.6	63.5
Government of Canada	11.6	12.9	12.7	13.1
Income from Government Enterprises	3.5	4.1	4.0	4.1
Other Non-Tax Revenue**	10.0	6.4	6.5	6.6
Total Revenue	**79.0**	**81.1**	**83.9**	**87.3**
Expense				
Programs				
Health Care	30.5	32.1	33.2	34.1
Change Fund - Health Care***	0.6			
Education	10.6	11.3	11.7	12.0
Training, Colleges and Universities	4.2	4.3	4.3	4.4
Social Services	9.1	9.4	9.6	9.7
Justice	2.9	2.9	2.8	2.8
Other Programs	9.6	8.5	8.6	8.9
Total Programs	**67.5**	**68.4**	**70.2**	**71.9**
Capital	2.6	2.5	2.5	2.5
Interest on Debt	10.1	10.8	11.1	11.5
Total Expense	**80.2**	**81.7**	**83.9**	**85.8**
Reserve	**1.0**	**1.5**	**1.5**	**1.5**
Surplus / (Deficit)	**(2.2)**	**(2.1)**	**(1.5)**	**0.0**

* Second-quarter fiscal forecast as at September 30.
** Includes one-time revenue gain of $3.9 billion related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.
*** Expense outlook for 2004-05 includes a one-time Change Fund of $1.0 billion, including $0.6 billion to assist with the transformation of the health care sector.
Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

Revenue

The medium-term revenue outlook from 2005-06 to 2007-08 is unchanged from the 2004 Budget, except for the additional revenues provided as a result of the First Ministers' health agreement. While there have been a number of changes in the composition of the revenue outlook in the current year, it is expected that these changes will largely offset each other over the medium term.

Total revenue in 2007-08 is projected at $87.3 billion, an increase of $8.3 billion or 10.5 per cent over the 2004-05 forecast of $79.0 billion. Apart from $3.9 billion in one-time revenues arising in 2004-05 from the projected elimination of the liability associated with power purchase agreements with non-utility generators, the forecast growth of revenue between 2004-05 and 2007-08 is 16.2 per cent.

- Taxation Revenue is forecast to increase by $9.5 billion between 2004-05 and 2007-08, at an average annual growth rate of 5.6 per cent. The average annual growth rate of nominal gross domestic product over the 2005 to 2007 period is 5.1 per cent. The maturation of measures announced in the 2004 Budget, particularly the proposed Ontario Health Premium that will be fully implemented in 2005-06, boosts the growth of Provincial tax revenues above what would normally be expected given the economic outlook.
- Federal Payments to Ontario are forecast to increase by $1.5 billion between 2004-05 and 2007-08, with an average annual growth rate of 4.1 per cent. The projection is consistent with the current federal- provincial transfer arrangements and funding formula, and includes the new funding provided under the First Ministers' health agreement of $824 million in 2004-05, $1.2 billion in 2005-06, and $1.3 billion in 2006-07 and 2007-08.
- Income from Government Enterprises is forecast to rise by $0.6 billion between 2004-05 and 2007-08, with an average annual growth rate of 5.8 per cent.
- Other Non-Tax Revenue is forecast to increase by $0.5 billion between 2004-05 and 2007-08, at an average annual growth rate of 2.6 per cent, excluding $3.9 billion in one-time revenues arising in 2004-05 from the projected elimination of the liability associated with power purchase agreements with non-utility generators.

Expense

Over the medium term, total expense will rise from $80.2 billion this year to $85.8 billion in 2007-08, an increase of $5.6 billion. Annual growth in total expense will average 2.3 per cent over this period, down from the 8.6 per cent rate of growth projected for 2004-05, a transition year as the Province moves to results-based fiscal planning and budgeting.

This slowing of Provincial spending growth over the medium term reflects:

- the maturing of the results-based planning process with improved accountability in Provincial spending; and
- a greater realignment of fiscal planning and budgeting to focus on the government's priorities and results.

In order to address the structural deficit inherited from the previous government and ensure a sustainable fiscal policy, program spending growth over the medium term will be held to a rate well below the rate of growth in taxation revenue.

To modernize and transform public services, a comprehensive review of programs the government delivers is underway. The composition of ministries' multi-year results-based planning numbers could vary significantly. These numbers will be reported in the 2005 Ontario Budget.

Reserve

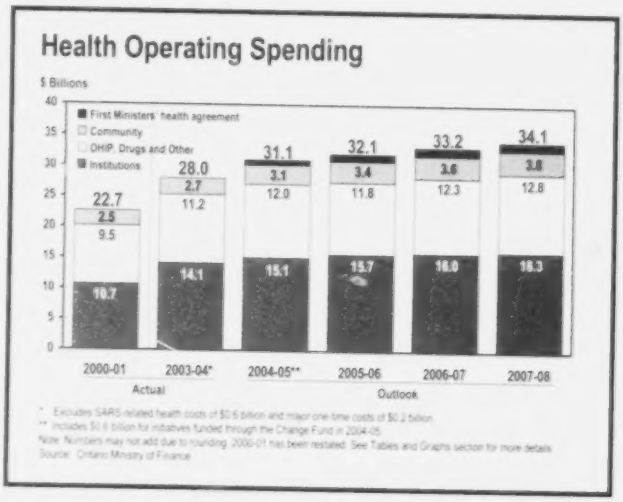
Reserves of $1.0 billion in 2004-05, growing to $1.5 billion in subsequent years, have been included in the medium-term fiscal outlook to protect against unexpected and adverse changes in the economic and fiscal outlook.

SECTOR OUTLOOK

Health Care

In September 2004, the Ontario Government, along with the other provinces and the federal government, signed a national health care agreement (First Ministers' health agreement) that will provide additional funds for health care including funding to help shorten wait times. As a result of the First Ministers' health agreement, spending in health care services is projected to increase by $824 million in 2004-05, $1.2 billion in 2005-06, and $1.3 billion in 2006-07 and 2007-08 above otherwise planned levels as noted in the 2004 Budget.

Including this additional new federal funding, health care base program funding over the medium term will rise by more than $3.0 billion from $31.1 billion in 2004-05 to $34.1 billion in 2007-08. Excluding the additional funds from the First Ministers' health agreement, major areas of health care spending in 2004-05 include $11.3 billion in operating support to Ontario's 152 hospitals and $7.1 billion in OHIP payments to physicians and other service providers. The remainder of more than $11.8 billion in health care spending supports a wide range of services, including funding for drug programs, long-term care facilities, home care and other community services.



The results expected in this sector, as highlighted in the government's *Progress Report 2004*, are:

Shorter waiting times for key services

- Reduce waiting times for MRIs and CT scans, cancer care, cataract and cardiac procedures, and hip and knee joint replacements

More families with access to primary health care

- Establish 150 Family Health Teams to provide comprehensive primary care

Preventing illness, promoting wellness

- Reduce illnesses from smoking, obesity and environmental pollution

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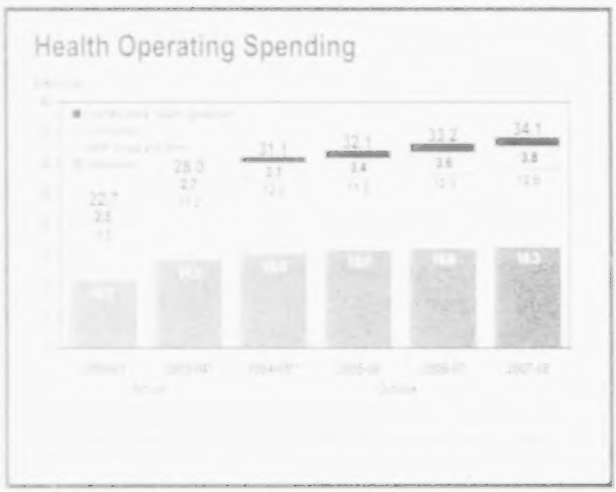

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Preventing illness, promoting wellness

- Reduce illnesses from smoking, obesity and environmental pollution.

Education

Ministry of Education operating spending is projected to increase from $10.6 billion in 2004-05 to $12.0 billion in 2007-08. On a school-year basis, funding to school boards through the Grants for Student Needs (GSN) will increase by $2.1 billion in 2007-08 over the 2003-04 level. Per-student funding over the same period will increase by more than 14 per cent to nearly $9,100 in 2007-08, or over $1,100 per student.

The results expected in this sector, as highlighted in the government's *Progress Report 2004*, are:

Higher literacy and math achievement

- Increase the percentage of Grade 6 students performing at or above the standard on the Provincial reading and math tests to 75%
- Improve the performance of those schools where 2/3 or more of the students do not meet the Provincial standard in Grade 3 reading tests

Lower high school drop-out rate

- Reduce the number of students who leave high school without a diploma

To support a better learning environment, the medium-term plan includes enhancements such as $90 million in 2004-05 to begin to cap class sizes at 20 students for junior kindergarten to Grade 3 and $200 million annually, starting in 2005-06, for an infrastructure fund to repair crumbling schools. Additional enhancements include $133 million in 2004-05, annualizing to $250 million in 2005-06, primarily to provide resources to teachers to help every child progress towards achieving the provincial standard in literacy and math and turnaround teams of experts working with poor-performing schools to improve student performance.

Training, Colleges and Universities

To support post-secondary education, student financial assistance, and apprenticeship and training programs, the operating spending of the Ministry of Training, Colleges and Universities is projected to increase by $0.5 billion between 2003-04 and 2007-08. Post-secondary funding in 2004-05 includes $3.0 billion to support the basic operating costs of colleges and universities and to assist in increasing enrolment in post-secondary education by 50,000 students. Student financial assistance of $0.4 billion in 2004-05 will be provided for the Ontario Student Assistance Program, scholarships and bursaries. The Province has launched a Post-secondary Review, headed by former premier Bob Rae, to provide advice about the design and funding of Ontario's post-secondary education system.

The results expected in this sector, as highlighted in the government's *Progress Report 2004*, are:

A skilled workforce

- Increase participation in post-secondary education and skills training
- Increase the percentage of internationally trained people becoming qualified to work in Ontario

In addition, Ministry spending over four years on training and apprenticeship program activities, set at $0.3 billion in 2004-05, will increase the number of apprenticeship registrations by 7,000 annually. This spending will also support the integration of internationally trained professionals into Ontario, including bridging training programs that provide Canadian work experience.

Social Services

Funding for the social services sector, which includes the Ministries of Community and Social Services, and Children and Youth Services, is projected to increase $0.6 billion by 2007-08 from the 2004-05 level. In 2004-05, operating expense in the Ministry of Community and Social Services includes $4.6 billion to provide assistance to individuals and families through Ontario Works, Ontario Disability Support and the Ontario Drug Benefit Plan. In addition, $1.0 billion is provided this year for support services for people with developmental disabilities, including community living, respite care and specialized community supports.

The major components of spending in the Ministry of Children and Youth Services include $1.1 billion in 2004-05 for child welfare services and $0.6 billion for child care supports, including child care fee subsidies to help make the system more affordable.

Justice Sector

The justice sector, comprising the Ministry of the Attorney General and Ministry of Community Safety and Correctional Services, will spend $2.9 billion in 2004-05 to support justice programs and build stronger, safer communities. This funding will support the operation of 40 Provincial jails and detention centres, housing an average of about 7,700 offenders each day, and the supervision of another 80,000 offenders serving sentences in the community. Other key justice sector programs and services include legal aid and victims' services, the funding of about 5,000 Ontario Provincial Police officers across the province and the operation of over 250 courts, prosecuting about 500,000 charges a year.

Other Program Spending

Funding for all other Provincial programs in 2004-05 is $9.6 billion. Spending in this sector focuses on such varied areas as ensuring that Ontario has a clean environment, competitive business climate, efficient government services and a reliable supply of energy.

The results expected in this sector, as highlighted in the government's *Progress Report 2004*, are:

Competitive business environment

- Ensure a competitive business environment that will attract jobs to, and investment in, Ontario's economy
- Ensure a reliable energy supply

Modern, efficient public services

- Deliver timely, cost-effective and accountable public services

This funding also supports the Ontario Automotive Investment Strategy, a $500 million multi-year funding commitment, that will increase investment in new innovative technologies and enhanced skills training to ensure Ontario maintains its competitive advantages in automobile and parts production.

To modernize and transform public services, a comprehensive review of programs the government delivers is underway. The composition of ministries' multi-year results-based planning numbers could vary significantly. These numbers will be reported in the 2005 Ontario Budget.

INFRASTRUCTURE INVESTMENT

Investments for Economic Growth and Quality of Life

Modernizing Ontario's Transportation Infrastructure

- Two cents of the gas tax for municipal transit systems, started with the first cent this October.
- New Canada-Ontario Municipal Rural Infrastructure Fund for rural roads and bridges and water and waste water management projects.
- Projects underway to improve the Windsor, Niagara and Sarnia border crossings, including improvements to the Windsor-Detroit Tunnel Plaza and to the Queenston-Lewiston Bridge. Planning for potential new or expanded border crossings in Windsor and Niagara is proceeding through two bi-national processes.
- First phase of cross-GTA Bus Rapid Transit system under construction in Mississauga.
- Investments to make GO Transit more convenient and attractive, including brand-new stations in Brampton and Newmarket and expanded parking lots at the Whitby, Ajax and Clarkson stations.
- An environmental assessment is underway relating to the extension of the Spadina subway line.
- Environmental assessments for the new Waterloo LRT and expansion of the Ottawa O-Train.
- Long-term program to rebuild Highway 401 through Toronto is well underway, improving safety and relieving congestion.
- Highway 69 safety initiative between Sudbury and Parry Sound to add paved shoulders, truck lay-by stations and electronic signs with traffic and weather condition updates.

Infrastructure is fundamental to a prosperous economy, modern and efficient public services, and Ontario's high quality of life. Its impact on productivity is profound. Every additional $1 million invested in public infrastructure reduces Ontario business costs by $200,000 annually.

Ontario's gross capital investment of $3.3 billion in 2004-05 will help improve the transportation networks vital to the economy, help reduce wait times for health services, improve learning environments for students, and contribute to a cleaner environment.

This investment is being used to keep our current assets in good working order, to upgrade them to meet new standards or provide better services, and to build new infrastructure to accommodate economic and population growth.

Transforming Ontario's Health Infrastructure

- New and expanded regional cancer centres to reduce wait times and provide treatment closer to home: Lakeridge Health in Oshawa, Credit Valley Hospital, the Hamilton Health Sciences Centre and the Grand River Hospital in Kitchener.
- Modernization and expansion projects worth over $25 million each are in progress at nearly 40 hospitals in communities across the province including Toronto, Brampton, Mississauga, Hamilton, London, Windsor, Orillia, Ottawa and Parry Sound.
- Upgrading children's treatment centres in North Bay, London, Windsor and Thunder Bay.

The government is also planning for the long term. For the first time, the Province is developing a Ten-Year Infrastructure Plan. The new growth management plan for the Greater Golden Horseshoe Area will help guide future infrastructure investments in ways that accommodate growth while preserving green space and valuable agricultural land.

Investing in Ontario's Education & Research Infrastructure

- More than 21,000 new spaces over three years at 13 colleges and universities.
- A new $2 billion investment to repair crumbling schools across the province.
- $25 million for research infrastructure.

The government has established a Water Expert Panel to provide advice on the future organization, governance, investment, financing and pricing of Ontario's water and wastewater systems (www.waterpanel.ontario.ca).

The Province will soon be launching, with the federal government and the Association of Municipalities of Ontario, the $900 million Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF) for small and rural municipalities to improve water and wastewater treatment systems, waste management and to fix local roads and bridges.

Ontario's global competitive position depends upon leading-edge research. The Province will create a new Ontario research fund that will provide $300 million over four years for research infrastructure in hospitals, post-secondary institutions and other research institutes, including $25 million this year.

MODERNIZING GOVERNMENT

The 2004 Ontario Budget included a commitment to undertake a comprehensive review of the programs the government delivers, in order to ensure the long-term fiscal viability of the programs that matter most to Ontarians.

This review process, co-ordinated through the Ministry of Finance, is a systematic effort to align long-term budgeting with priorities and results. The government's focus is on modernizing and transforming public services to achieve long-term, cost-effective results.

The first measures in this review include:

- Identifying opportunities for federal-provincial streamlining.
- Modernizing inter-ministry service delivery and transactions, including:
  - reviewing Ontario's annual expenses on information technology, which exceed $0.9 billion;
  - reviewing Ontario's internal purchasing and business transactions;
  - supporting the OntarioBuys Working Group in work underway to identify and expand best practices in supply chain management in Ontario's broader public sector, with a focus on Ontario's hospitals; and
  - finalizing the implementation of the government-wide Integrated Financial Information System (IFIS).

The results of these and other modernizing government initiatives will be reported on in the coming weeks and months, in keeping with the government's commitment to open, accountable public-sector management.

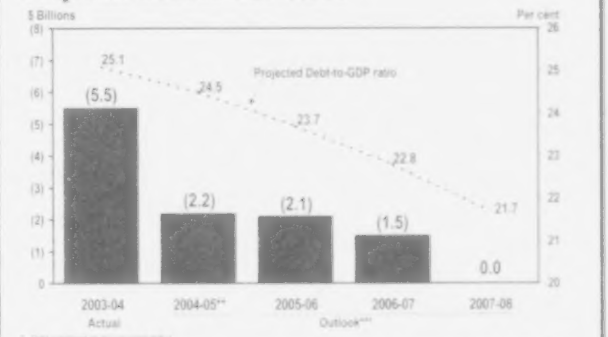
MAINTAINING A PRUDENT DEBT-TO-GDP RATIO

As part of the government's plan to eliminate the structural deficit and ensure that the Province lives within its means, the government is committed to maintaining a prudent level of Provincial debt relative to the size of Ontario's economy or Gross Domestic Product (GDP). This objective is consistent with the reforms identified in the 2004 Budget and outlined in the government's proposed Fiscal Transparency and Accountability Act (FTAA).

Ongoing debt accumulation can significantly limit the extent to which vital public services can be funded, as increasing interest on debt charges "crowd out" funds available for spending on other government priorities. In fact, over the past 25 years, the share of total expense devoted to paying interest on Ontario's debt has more than doubled: from about 6 per cent of total expense in 1978-79 to 13 per cent in 2003-04.

High debt levels can also incur intergenerational costs, where the current consumption of Ontario's services is paid for by future generations. Should legitimate circumstances arise wherein the government determines that deficits are necessary in order to respond effectively to short-term economic and fiscal considerations and priorities, the FTAA would require the government to indicate how it plans to return the Province's books to balance.

Multi-Year Balanced Budget Plan and Projected Debt-to-GDP Ratio*



It is important to note that the performance of the debt-to-GDP ratio is heavily dependent upon a range of factors—including, for example, variations in the economic and fiscal outlook. For example, assuming all fiscal targets are met, a sustained one percentage point change in nominal GDP growth over the medium term could affect the debt-to-GDP ratio by +/- 0.8 percentage points by 2007-08. There are other risks as well, like changing the composition of the Province's reporting entity to reflect the financial position of school boards and school authorities, community colleges and hospitals.

Consistent with its plan to balance the budget, the government is committed to improving the Province's debt-to-GDP ratio by three percentage points from 25.1 per cent in 2003-04 to no more than 22 per cent by 2007-08. By achieving this target, the government will have reduced the Province's debt-to-GDP ratio to its lowest level in 15 years.

Section III: Potential Risks, Cost Drivers and Contingent Liabilities

This section highlights some of the key sensitivities and risks to the fiscal plan that could follow from unexpected changes in economic conditions or program demand. It should be cautioned that these sensitivities and risks are only useful guidelines and can vary, depending on the nature and composition of potential risk.

The Ontario Economy and Provincial Revenues

A growing economy with rising incomes and consumer spending generates higher revenues to pay for public services. Taxation revenues comprise the largest category of revenue for the Provincial government. Of the $79 billion forecast as Provincial revenue for 2004-05, $54 billion or about 68 per cent is expected to come from taxation revenue. Three revenue sources within this category—Personal Income Tax, Retail Sales Tax and Corporations Tax—account for 53 per cent of total revenue. Inherent in any multi-year revenue forecast is uncertainty about the future.

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2004-05 Assumption	Sensitivities
Total Taxation Revenues		
- Revenue Base[1]	3.9 per cent growth	$505 million change in revenues per percentage point change in nominal GDP growth. Can vary significantly depending on composition and source of changes in GDP growth.
- Real GDP	2.3 per cent growth in 2004	
- Nominal GDP	4.4 per cent growth in 2004	
- GDP Deflator	2.0 per cent growth in 2004	
Personal Income Tax Revenues		
Tax Assessments		
- Revenue Base	$18.3 billion in 2003 4.2 per cent growth in 2004-05	$365 million change in 2004-05 revenues for each percentage point change in 2003 tax assessments.[2,4]
Key Economic Assumptions		
- Employment	1.7 per cent growth in 2004	$220 million change in 2004-05 revenues for each percentage point change in wages and salaries growth.
- Wages and Salaries	3.3 per cent growth in 2004	
- Unincorporated Business Income	5.1 per cent growth in 2004	
Key Revenue Assumptions		
- Net Capital Gains Income	4.4 per cent growth in 2004	$5 million change in revenue per one percentage point change in net capital gains income growth.
- RRSP Deductions	4.9 per cent growth in 2004	$10 million change in revenue per one percentage point change in RRSP deductions growth.
Retail Sales Tax Revenues		
- Revenue Base	4.0 per cent growth	$90 million change in revenue per percentage point change in nominal consumption expenditure growth.
Includes:		
- Taxable Consumer Spending	2.0 per cent growth	
- Other Taxable Spending	6.4 per cent growth	
Key Economic Assumptions		
- Retail Sales	2.9 per cent growth in 2004	
- Nominal Consumption Expenditure	3.7 per cent growth in 2004	

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2004-05 Assumption	Sensitivities
Corporations Tax Revenues		
- Revenue Base	5.8 per cent growth	$50 million change in revenue per percentage point change in pre-tax corporate profit growth.
- Corporate Profits	8.6 per cent growth in 2004	
- 2003-04 tax assessment refunds[3]	$1.7 billion payable	$34 million change in the opposite direction in revenue per one percentage point change in 2003-04 refunds.[4]
Employer Health Tax Revenues		
- Revenue Base	3.1 per cent growth	$30 million change in revenue per percentage point change in wages and salaries growth.
- Wages and Salaries	3.3 per cent growth in 2004	
Ontario Health Premium Re nues		
- Revenue Base	4.3 per cent growth	$20 million change in revenue per percentage point change in personal income growth.
- Personal Income	3.5 per cent growth in 2004	
Gasoline Tax Revenues		
- Revenue Base	0.0 per cent growth	$8 million change in the opposite direction in revenue per one cent per litre change in gasoline prices.
- Gasoline pump prices	80 cents per litre	
Fuel Tax Revenues		
- Revenue Base	6.3 per cent growth	$10 million change in revenue per percentage point change in real GDP growth.
- Real GDP	2.3 per cent growth in 2004	
Land Transfer Tax Revenues		
- Revenue Base	9.0 per cent growth	$10 million change in revenue per percentage point change in both the number and prices of housing resales.
- Housing Resales	6.1 per cent growth in 2004	
- Resale Prices	7.2 per cent growth in 2004	

Selected Economic and Revenue Risks and Sensitivities

Item/Key Components	2004-05 Assumption	Sensitivities
Health and Social Transfers		
- Canada-wide Revenue Base	$21.6 billion	$30 million change in revenue per one-tenth percentage point change in population share.
- Ontario Population Share	38.8 per cent	
- Ontario PIT Base Share	44.0 per cent	
- Ontario Revenue Share	37.1 per cent	$10 million change in the opposite direction in revenue per one-tenth percentage point change in PIT base share.

1. Revenue base is revenue excluding the impact of measures, adjustments for past Public Accounts estimate variances and other one-time factors.
2. Ontario 2003 Personal Income Tax (PIT) revenue is currently an estimate because 2003 tax returns are currently being assessed by Canada Revenue Agency.
3. Corporations Tax refunds arising during 2003-04 are still an estimate because tax returns for corporate fiscal years ending in Ontario's 2003-04 fiscal year are still being assessed by the Tax Revenue Division of the Ontario Ministry of Finance.
4. Now that 2003-2004 Public Accounts of Ontario have been finalized, any change in 2003 PIT assessments or 2003-04 Corporations Tax revenues will have a dual effect on 2004-05 revenues through a) a change in the revenue base upon which this year's growth is applied, and b) a revenue adjustment applied against the current year in respect of any variance from the estimate included in the 2003-2004 Public Accounts.

EXPENSE RISKS AND SENSITIVITIES

Many programs delivered by the Province are subject to potential risks and cost drivers such as utilization growth or enrolment and caseload changes. The following sensitivities are based on averages for program areas and might change, depending on the nature and composition of the potential risk.

Selected Expense Risks and Sensitivities

Program	2004-05 Assumption	Sensitivities
Hospitals	Annual growth of 4.4 per cent	One per cent change in hospital funding: $113 million.
Drug Programs	Annual growth of 8.3 per cent (in health/seniors)	One per cent change in utilization of all drug programs: $31 million (seniors and social assistance recipients).
Home Care/Community Services	Over 15.6 million hours of homemaking and support services	One per cent change in hours of homemaking and support services: $4 million.
	7.9 million nursing and professional visits	One per cent change in nursing and professional visits: $5 million.
Long-Term Care Facilities	Approximately 74,400 long-term care facility beds	Annual average Provincial operating cost per bed, after resident co-payment revenue, in a long-term care facility is over $33,000. One per cent change in number of beds: $25 million.
Elementary and Secondary Schools	Almost 2 million average daily pupil enrolment	One per cent enrolment change: $160 million.
College Students	151,000 full-time students	One per cent enrolment change: $6 million.
University Students	295,000 full-time students	One per cent enrolment change: $20 million.
Ontario Works	196,000 average annual caseload	One per cent caseload change: $15 million.
Ontario Disability Support Program	225,000 average annual caseload	One per cent caseload change: $22 million.

Selected Expense Risks and Sensitivities		
Program	**2004-05 Assumption**	**Sensitivities**
Judicial System	2.8 million adult inmate days per year	Average cost $155 per inmate per day. One per cent change in inmate days: $4 million.
Interest on Debt	Average cost of borrowing at the time of the 2004 Budget was expected to be approximately 4.9 per cent.	The impact of a 100 basis-point change in borrowing rates is expected to be approximately $150 million.

Compensation Costs

Compensation costs and wage settlements are key cost drivers and have a substantial impact on both the finances of broader public-sector partners and the Province.

Sector	Cost of 1% salary increase	Size of Sector
OHIP Payments to Physicians	$58 million*	Over 21,000 physicians in Ontario, comprising 10,000 family doctors and 11,000 specialists.
Hospital Nurses	$34 million*	Over 40,000 nurses in hospitals.
Elementary and Secondary School Staff	$119 million**	Over 180,000 staff including teachers, principals, administrators, support and maintenance staff.
Ontario Public Service	$45 million*	Over 60,000 public servants.

* Based on 2003-04.

** One per cent increase to salary benchmarks in Grants for Student Needs based on 2004-05 school year.

Selected Expense Risks and Sensitivities		
Program	**2004-05 Assumption**	**Sensitivities**
Judicial System	2.8 million adult inmate days per year	Average cost $155 per inmate per day. One per cent change in inmate days: $4 million.
Interest on Debt	Average cost of borrowing at the time of the 2004 Budget was expected to be approximately 4.9 per cent.	The impact of a 100 basis-point change in borrowing rates is expected to be approximately $150 million.

COMPENSATION COSTS

Compensation costs and wage settlements are key cost drivers and have a substantial impact on both the finances of broader public-sector partners and the Province.

Sector	Cost of 1% salary increase	Size of Sector
OHIP Payments to Physicians	$58 million*	Over 21,000 physicians in Ontario, comprising 10,000 family doctors and 11,000 specialists.
Hospital Nurses	$34 million*	Over 40,000 nurses in hospitals.
Elementary and Secondary School Staff	$119 million**	Over 180,000 staff including teachers, principals, administrators, support and maintenance staff.
Ontario Public Service	$45 million*	Over 60,000 public servants.

* Based on 2003-04.

** One per cent increase to salary benchmarks in Grants for Student Needs based on 2004-05 school year.

CONTINGENT LIABILITIES

Consistent with the recommendations of the proposed Fiscal Transparency and Accountability Act (FTAA), the following is a disclosure of the contingent liabilities of the Province. It is reproduced from the 2003-2004 Annual Report and Consolidated Financial Statements of the 2003-2004 Public Accounts of Ontario, released in September 2004.

Obligations Guaranteed by the Province

The authorized limit for loans guaranteed by the Province as at March 31, 2004 was $4.4 billion (March 31, 2003, $5.2 billion). The outstanding loans guaranteed and other contingencies amounted to $3.4 billion at March 31, 2004 (March 31, 2003, $4.1 billion). A provision of $397 million (March 31, 2003, $391 million) based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been expensed and is reflected in the 2003-2004 Annual Report and Consolidated Financial Statements of the Province.

Ontario Nuclear Funds Agreement

The Province, Ontario Power Generation Inc. (OPG, a wholly owned subsidiary) and certain subsidiaries of OPG, are parties to the Ontario Nuclear Funds Agreement (ONFA), to establish, fund and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management. Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds, for a fixed volume of used fuel. The likelihood and amount by which the cost estimate could rise above these thresholds cannot be determined at this time. The cost estimate will be updated periodically, to reflect new developments in the management of nuclear used fuel waste.

As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario Consumer Price Index for the nuclear used fuel waste management fund. If the earnings on assets in that fund exceed the guaranteed rate, the Province is entitled to the excess.

On July 31, 2003, two agreements came into effect to satisfy the Canadian Nuclear Safety Commission (CNSC) licensing requirements for financial guarantees in respect of OPG's nuclear station decommissioning and nuclear waste management obligations. One agreement, between the Province, OPG and the CNSC, gives CNSC access to the segregated funds established under ONFA. The other agreement, between the Province and CNSC, provides a direct provincial guarantee to CNSC on behalf of OPG. This guarantee, for up to $1.5 billion, relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds. In return, the Province will receive from OPG an annual fee equal to 0.5 per cent of the value of the direct provincial guarantee.

Social Housing—Loan Insurance Agreements

For all non-profit housing projects in the Provincial portfolio, the Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation (CMHC) for any net costs, including any environmental liabilities, incurred as a result of project defaults, directly or indirectly, through the Ministry of Municipal Affairs and Housing or Ontario Housing Corporation.

At March 31, 2004, there were $9.0 billion (March 31, 2003, $9.3 billion) of mortgage loans outstanding. As operating subsidies provided are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

At March 31, 2004, there were claims outstanding against the Crown of which 80 (March 31, 2003, 77) are for amounts over $50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items, and are listed in Volume 1, 2003-2004 Public Accounts of Ontario, Section 3. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

Conclusion

Upon assuming office, the government inherited a structural deficit. This imbalance between revenues and expense did not happen overnight, but was several years in the making. Unless addressed, this fiscal imbalance would lead to continued chronic and unacceptable deficits through the medium term.

The 2004 Ontario Budget laid out a four-year strategy to eliminate this structural deficit and achieve a balanced budget. The government's medium-term plan achieves this through a mix of revenue generation, cost-containment measures and economic growth initiatives. At the same time, the government's plan takes a balanced and responsible approach to deficit reduction by providing funding for necessary public services and programs.

While the recent provision of additional funding from the federal government for health care was welcome, the fiscal challenges facing the Province are significant. Addressing these challenges will require ongoing vigilance and a commitment to the government's medium-term fiscal plan.

Tables and Graphs

Statement of Financial Transactions
($ Millions)

Table 1

	2000-01	2001-02	2002-03	Actual 2003-04	Outlook* 2004-05
Revenue**	66,294	66,534	68,891	68,400	79,041
Expense					
Programs	51,396	53,932	57,204	62,104	67,520
Capital***	2,123	1,890	1,876	2,175	2,575
Interest on Debt	10,873	10,337	9,694	9,604	10,114
Total Expense	64,392	66,159	68,774	73,883	80,209
Reserve	-	-	-	-	1,000
Surplus / (Deficit)	1,902	375	117	(5,483)	(2,168)
Net Debt†	132,496	132,121	132,647	138,557	141,493
Accumulated Deficit†	132,496	132,121	118,705	124,188	126,356

Note: 2000-01 to 2002-03 have been restated to reflect the reclassification of adjustments related to recovery of prior years' expenses from expense to revenue consistent with the 2003-2004 Public Accounts of Ontario. This change has no impact on the Surplus/Deficit.

* Second-quarter fiscal forecast as at September 30.

** Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

*** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Revenue
($ Millions)

Table 2

	2000-01	2001-02	2002-03	Actual 2003-04	Outlook* 2004-05
Taxation Revenue					
Personal Income Tax	17,911	19,097	18,195	18,301	19,050
Retail Sales Tax	13,735	13,803	14,183	14,258	14,876
Corporations Tax	9,200	6,646	7,459	6,658	8,250
Employer Health Tax	3,424	3,502	3,589	3,753	3,862
Gasoline Tax	2,172	2,192	2,306	2,264	2,263
Fuel Tax	648	659	682	681	716
Ontario Health Premium	-	-	-	-	1,622
Tobacco Tax	504	703	1,183	1,350	1,452
Land Transfer Tax	642	665	814	909	977
Electricity Payments-In-Lieu of Taxes	907	387	711	627	630
Other Taxes	333	371	429	347	259
	49,476	48,025	49,551	49,148	53,957
Government of Canada					
Canada Health and Social Transfer (CHST)	4,138	5,831	7,346	6,958	-
Canada Health Transfer (CHT)	-	-	-	-	5,065
Canada Social Transfer (CST)	-	-	-	-	2,924
CHST Supplements	757	380	191	577	775
Social Housing	541	524	525	528	521
Health Reform Fund	-	-	-	387	582
Medical Equipment	190	190	-	192	387
Wait Times Reduction Fund	-	-	-	-	242
Infrastructure	2	-	97	150	267
Other Government of Canada	501	829	735	1,101	859
	6,129	7,754	8,894	9,893	11,622
Income from Investment in Government Business Enterprises					
Ontario Lottery and Gaming Corporation	2,181	2,255	2,288	2,106	2,015
Liquor Control Board of Ontario	877	904	939	1,045	1,108
Ontario Power Generation Inc. and Hydro One Inc.	783	179	717	(17)	335
Other Government Enterprises	14	7	(2)	(64)	(5)
	3,855	3,345	3,942	3,070	3,453
Other Non-Tax Revenue					
Net Reduction of Power Purchase Contract Liability**	-	-	161	104	4,024
Reimbursements	1,809	1,592	1,111	1,206	1,252
Electricity Debt Retirement Charge	-	-	889	1,000	1,009
Vehicle and Driver Registration Fees	929	941	982	985	987
Power Sales	695	815	635	510	675
Other Fees and Licences	503	474	606	594	536
Liquor Licence Revenue	525	530	530	488	507
Sales and Rentals	637	344	560	532	403
Royalties	235	224	304	248	239
Miscellaneous Other Non-Tax Revenue+	1,501	2,490	726	622	377
	6,834	7,410	6,504	6,289	10,009
Total Revenue+	66,294	66,534	68,891	68,400	79,041

* Second-quarter fiscal forecast as at September 30.

** Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

\+ 2000-01 to 2002-03 have been restated to reflect the reclassification of adjustments related to recovery of prior years' expenses from expense to revenue consistent with the 2003-2004 Public Accounts of Ontario. This change has no impact on the Surplus/Deficit.

Operating Expense ($ Millions)					Table 3
Ministry	2000-01	2001-02	2002-03	Actual 2003-04	Outlook* 2004-05
Agriculture and Food†	635	775	616	673	549
Attorney General	969	995	1,052	1,199	1,172
Board of Internal Economy	116	124	146	196	149
Children and Youth Services	2,070	2,244	2,431	2,640	2,832
Citizenship and Immigration†	66	59	53	52	62
Community and Social Services†	5,800	5,807	5,842	5,995	6,317
Community Safety and Correctional Services†	1,419	1,513	1,656	1,666	1,738
Consumer and Business Services	155	172	178	182	213
Culture	236	279	331	303	277
Democratic Renewal Secretariat	-	-	-	-	4
Economic Development and Trade†	200	221	242	253	414
Education†	7,963	8,354	8,998	9,665	10,623
Teachers' Pension Plan (TPP)	(402)	42	238	235	359
Energy	344	367	144	116	137
Environment	190	265	237	261	304
Executive Offices	21	19	20	24	19
Finance - Own Account†	1,147	1,197	1,092	1,255	1,184
Interest on Debt	10,873	10,337	9,694	9,604	10,114
Change Fund	-	-	-	-	328
Community Reinvestment Fund	561	557	622	651	656
Electricity Consumer Price Protection Fund	-	-	665	253	-
Power Purchases	695	815	786	797	946
Health and Long-Term Care†	22,701	23,923	25,800	28,036	30,476
Change Fund	-	-	-	-	609
SARS-related and Major One-Time Health Costs	-	-	-	824	-
Intergovernmental Affairs	6	6	9	6	9
Labour	104	110	123	117	133
Management Board Secretariat†	144	246	186	214	356
Retirement Benefits	(33)	63	102	309	433
Contingency Fund	-	-	-	-	957
Municipal Affairs and Housing†	1,792	1,136	636	662	697
Native Affairs Secretariat†	17	13	16	15	14
Natural Resources	417	438	454	516	505
Northern Development and Mines	69	75	73	76	73
Office of Francophone Affairs	4	5	3	3	4
Public Infrastructure Renewal	9	15	33	18	31
Tourism and Recreation	124	143	135	209	184
Training, Colleges and Universities†	3,264	3,290	3,471	3,883	4,194
Transportation†	593	664	814	800	862
Year-End Savings	-	-	-	-	(300)
Total Operating Expense†	**62,269**	**64,269**	**66,898**	**71,708**	**77,634**

* Second-quarter fiscal forecast as at September 30.

† 2000-01 to 2002-03 have been restated to reflect the reclassification of adjustments related to recovery of prior years' expenses from expense to revenue consistent with the 2003-2004 Public Accounts of Ontario. This change has no impact on the Surplus/Deficit.

Capital Expense †
($ Millions)

Table 4

Ministry	2000-01	2001-02	2002-03	Actual 2003-04	Outlook* 2004-05
Agriculture and Food	1	29	68	1	7
Attorney General	42	46	43	24	55
Children and Youth Services	10	6	7	-	9
Community and Social Services	4	25	16	10	21
Community Safety and Correctional Services	99	88	66	47	42
Consumer and Business Services	-	-	1	1	2
Culture	18	14	42	24	70
Economic Development and Trade	-	19	21	31	52
Education	4	17	10	15	27
Energy	86	50	46	53	52
Environment	22	20	13	4	13
Finance	7	11	8	5	4
Health and Long-Term Care	322	205	339	358	346
Management Board Secretariat**	24	28	3	(33)	(13)
Municipal Affairs and Housing	-	12	20	206	237
Native Affairs Secretariat	5	3	2	-	2
Natural Resources	65	70	72	111	85
Northern Development and Mines	356	371	391	332	447
Public Infrastructure Renewal	4	-	4	18	168
Capital Contingency Fund	-	-	-	-	134
Tourism and Recreation	14	9	55	51	65
Training, Colleges and Universities	204	49	71	120	171
Transportation	836	818	578	797	679
Year-End Savings	-	-	-	-	(100)
Total Capital Expense †	**2,123**	**1,890**	**1,876**	**2,175**	**2,575**

† Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

* Second-quarter fiscal forecast as at September 30.

** Ministries' contributions for investments in Provincially owned land and buildings are recorded as an expense by the contributing ministries. Starting in 2002-03, any resulting adjustment to expense from the capitalization and amortization of most of these Provincially owned land and buildings is recorded in Management Board Secretariat.

Sources: Ontario Ministry of Finance and Ontario Ministry of Public Infrastructure Renewal.

2004-05 Fiscal Outlook: Summary of In-Year Changes Table 5
($ Millions)

	Actual 2003-04	Budget Plan 2004-05	Outlook* 2004-05	In-Year Change
Revenue**	68,400	78,360	79,041	681
Expense				
Programs	62,104	66,695	67,520	825
Capital	2,175	2,575	2,575	--
Interest on Debt	9,604	10,329	10,114	(215)
Total Expense	73,883	79,599	80,209	610
Reserve	--	1,000	1,000	--
Surplus / (Deficit)	**(5,483)**	**(2,239)**	**(2,168)**	**71**

* Second-quarter fiscal forecast as at September 30.
** Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.
Source: Ontario Ministry of Finance.

Summary of In-Year Revenue Changes Since Budget ($ Millions)	Table 6 In-Year Change
Revenue Changes This Quarter:*	
Personal Income Tax – an additional $130 million primarily due to higher 2003 tax assessments.	130
Retail Sales Tax – a decline of $160 million primarily due to weaker consumer durable goods expenditures, notably low levels of vehicle sales to date this year.	(160)
Gasoline Tax – a decline of $65 million due to reduced consumption corresponding to higher pump prices for gasoline.	(65)
Land Transfer Tax – an additional $50 million due to continued high levels of housing resales.	50
Federal Payments – an additional $824 million based on the First Ministers' health agreement. This amount includes increases in Canada Health Transfer ($388 million) and Medical Equipment revenues ($194 million) and new revenues ($242 million) for Wait Times Reduction Fund.	824
Ontario Lottery and Gaming Corporation – a decline of $102 million largely due to lower earnings from the border casinos and lower Pro-Line lottery profits attributable to the National Hockey League labour dispute.	(102)
Liquor Control Board of Ontario – a decline of $9 million due to lower mark-up revenues ($8 million) and lower warehousing revenues ($1 million) related to a move of warehousing and shipping functions for some products from the LCBO to the brewing industry. The decreased LCBO mark-up is fully offset by higher Liquor Licence Revenues.	(9)
Liquor Licence Revenue – an additional $8 million due to an increase in fees collected by the Alcohol and Gaming Commission of Ontario related to a move of warehousing and shipping functions for some products from the LCBO to the brewing industry.	8
Miscellaneous Other Non-Tax Revenue – an additional $1 million from the Proceeds of Crime and Civil Remedies Special Purpose Accounts to offset the cost of managing forfeited assets as a result of combatting indoor marijuana grow operations in 2004-05.	1
Total Revenue Changes This Quarter	677
Net Revenue Changes Reported in First Quarter Ontario Finances	4
Total Revenue Changes Since Budget	681

* Second-quarter fiscal forecast as at September 30.

Summary of In-Year Operating Expense Changes Since Budget ($ Millions)	Table 7
	In-Year Change
Operating Expense Changes This Quarter:*	
Ministry of the Attorney General – An additional $1 million for implementation of the Integrated Financial Information System, fully offset from the Contingency Fund; $8 million for the transfer of Justice Technology Services from the Ministry of Community Safety and Correctional Services; and $1 million for the cost of managing forfeited assets as a result of combatting indoor marijuana grow operations in 2004-05, fully offset by revenue.	10
Ministry of Community Safety and Correctional Services – An additional $1 million for implementation of the Integrated Financial Information System, fully offset from the Contingency Fund; and a decline of $8 million for the transfer of Justice Technology Services to the Ministry of the Attorney General.	(7)
Ministry of Health and Long-Term Care – Spending to reflect First Ministers' health agreement, including $194 million for purchases of medical equipment and $630 million for investments to reduce wait times and improve access to primary care, home care and community mental health services.	824
Management Board Secretariat – An additional $1 million for implementation of the Integrated Financial Information System, fully offset from the Contingency Fund.	1
Management Board Secretariat Contingency Fund – Total offsets.	(8)
Ministry of Municipal Affairs and Housing – An additional $5 million for disaster relief assistance due to the flooding in Peterborough in July 2004 to support costs incurred by individuals, small businesses, and municipalities, fully offset from the Contingency Fund.	5
Interest on Debt – $215 million in savings attributable to lower-than-planned interest rates and cost-effective debt management.	(215)
Total Operating Expense Changes This Quarter	**610**
Net Operating Expense Changes Reported in First Quarter Ontario Finances	--
Total Operating Expense Changes Since Budget	**610**

* Second-quarter fiscal forecast as at September 30.

Summary of In-Year Capital Expense Changes Since Budget ($ Millions)	Table 8
	In-year Change
Capital Expense Changes This Quarter:*	
Ministry of Economic Development and Trade – An additional $13 million for Ontario Research Fund to enable Ontario researchers to acquire and upgrade equipment and facilities to enhance research, fully offset from the Capital Contingency Fund.	13
Ministry of Municipal Affairs and Housing – An additional $3 million for disaster relief assistance due to the flooding in Peterborough in July 2004 to support repair of public infrastructure, fully offset from the Capital Contingency Fund.	3
Public Infrastructure Renewal Capital Contingency Fund – Total Offsets	(16)
Total Capital Expense Changes This Quarter	--
Net Capital Expense Changes Reported in First Quarter Ontario Finances	--
Total Capital Expense Changes Since Budget	--

* Second-quarter fiscal forecast as at September 30.

Schedule of Net Investment in Capital Assets
($ Millions)

Table 9

	2004-05 Outlook*			
	Land and Buildings	Transportation Infrastructure	Government Organizations' Capital Assets	Total
Acquisition/Construction of Major Tangible Capital Assets	135	998	432	1,565
Amortization of Provincially Owned Major Tangible Capital Assets	(78)	(524)	(195)	(797)
Net Investment in Capital Assets**	**57**	**474**	**237**	**768**

* Second-quarter fiscal forecast as at September 30.

** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

Source: Ontario Ministry of Public Infrastructure Renewal.

Ten-Year Review of Selected Financial and Economic Statistics ($ Millions)			
	1995-96	1996-97	1997-98
Financial Transactions			
Revenue**	49,737	49,714	52,782
Expense			
Programs	46,427	45,400	45,568
Capital***	3,635	2,612	2,451
Interest on Debt	8,475	8,607	8,729
Total Expense	58,537	56,619	56,748
Reserve	-	-	-
Surplus / (Deficit)	**(8,800)**	**(6,905)**	**(3,966)**
Net Debt†	**101,864**	**108,769**	**112,735**
Accumulated Deficit†	**101,864**	**108,769**	**112,735**
Gross Domestic Product (GDP) at Market Prices	329,317	338,173	359,353
Personal Income	271,397	276,303	289,537
Population—July (000s)	10,950	11,083	11,228
Net Debt per Capita (dollars)	9,303	9,814	10,041
Personal Income per Capita (dollars)	24,785	24,930	25,787
Total Expense as a per cent of GDP	17.8	16.7	15.8
Interest on Debt as a per cent of Revenue	17.0	17.3	16.5
Net Debt as a per cent of GDP	30.9	32.2	31.4
Accumulated Deficit as a per cent of GDP	30.9	32.2	31.4

Note 1995-96 to 2002-03 have been restated to reflect the reclassification of adjustments related to recovery of prior years' expenses from expense to revenue consistenit with the 2003-2004 Public Accounts of Ontario. This change has no impact on the Surplus/Deficit.

* Second-quarter fiscal forecast as at September 30.

** Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

*** Starting in 2002-03, major tangible capital assets owned by Provincial ministries (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets owned by Provincial ministries will continue to be accounted for as expense in the year of acquisition or construction. All capital assets owned by consolidated government organizations are accounted for on a full accrual basis.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Sources: Ontario Ministry of Finance and Statistics Canada

Table 10

1998-99	1999-00	2000-01	2001-02	2002-03	Actual 2003-04	Outlook * 2004-05
56,050	65,042	66,294	66,534	68,891	68,400	79,041
46,821	48,460	51,396	53,932	57,204	62,104	67,520
2,215	4,887	2,123	1,890	1,876	2,175	2,575
9,016	11,027	10,873	10,337	9,694	9,604	10,114
58,052	64,374	64,392	66,159	68,774	73,883	80,209
-	-	-	-	-	-	1,000
(2,002)	668	1,902	375	117	(5,483)	(2,168)
114,737	134,398	132,496	132,121	132,647	138,557	141,493
114,737	134,398	132,496	132,121	118,705	124,188	126,356
377,897	409,020	441,204	453,384	479,122	494,229	516,069
304,652	321,702	347,592	360,209	370,340	379,737	393,084
11,367	11,506	11,685	11,898	12,102	12,257	12,393
10,094	11,681	11,339	11,104	10,961	11,304	11,417
26,801	27,959	29,747	30,275	30,602	30,981	31,718
15.4	15.7	14.6	14.6	14.4	14.9	15.5
16.1	17.0	16.4	15.5	14.1	14.0	12.8
30.4	32.9	30.0	29.1	27.7	28.0	27.4
30.4	32.9	30.0	29.1	24.8	25.1	24.5

Multi-Year Balanced Budget Plan
($ Billions)

Table 11

	Actual	Outlook*			
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue**	68.4	79.0	81.1	83.9	87.3
Expense					
Programs	62.1	67.5	68.4	70.2	71.9
Capital	2.2	2.6	2.5	2.5	2.5
Interest on Debt	9.6	10.1	10.8	11.1	11.5
Total Expense	73.9	80.2	81.7	83.9	85.8
Reserve	-	1.0	1.5	1.5	1.5
Surplus/(Deficit)	(5.5)	(2.2)	(2.1)	(1.5)	0.0
Net Debt†**	138.6	141.5	144.5	147.0	147.8
Accumulated Deficit†**	124.2	126.4	128.4	129.9	129.9
Gross Domestic Product (GDP) at Market Prices	494.2	516.1	542.3	569.8	599.3
Net Debt as a per cent of GDP	28.0	27.4	26.6	25.8	24.7
Accumulated Deficit as a per cent of GDP	25.1	24.5	23.7	22.8	21.7

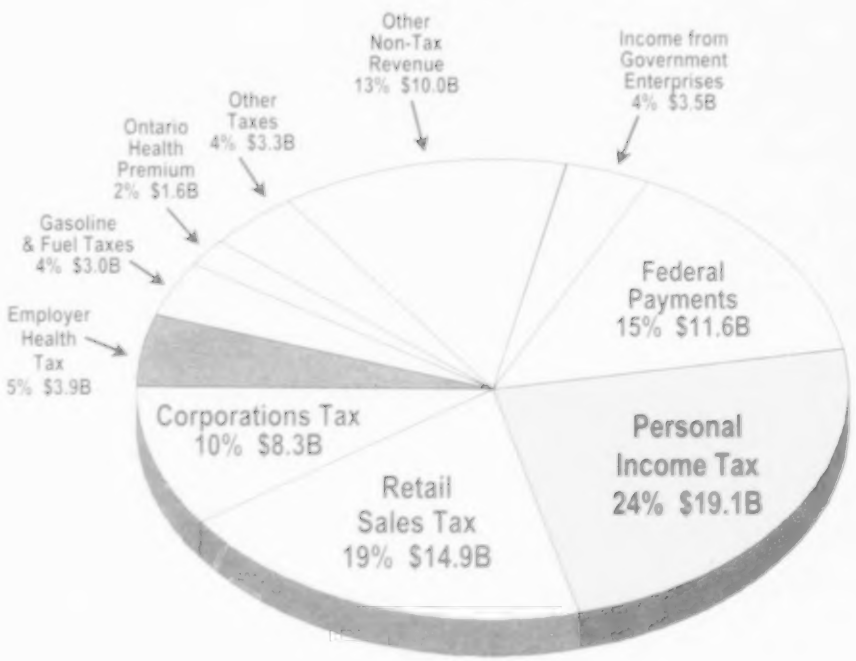
* Second-quarter fiscal forecast as at September 30.

** Includes one-time revenue gain of $3.9 billion related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit plus the change in tangible capital assets. Accumulated Deficit is calculated as the difference between liabilities and financial and tangible capital assets. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit.

Numbers may not add due to rounding.

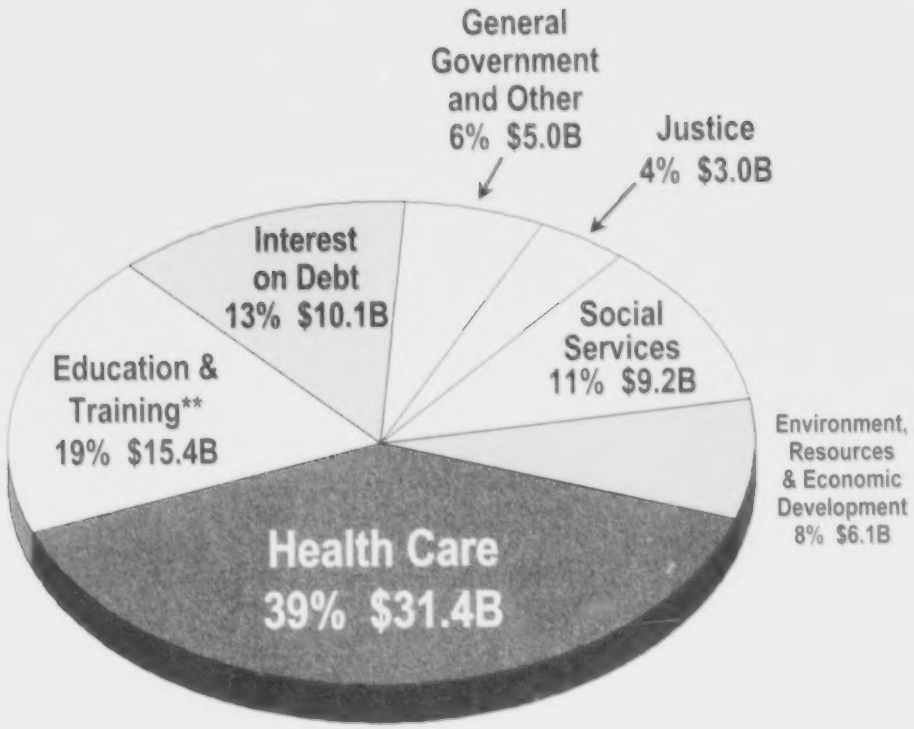
Composition of Revenue
2004-05*


Other Non-Tax Revenue 13% $10.0B
Income from Government Enterprises 4% $3.5B
Other Taxes 4% $3.3B
Ontario Health Premium 2% $1.6B
Gasoline & Fuel Taxes 4% $3.0B
Employer Health Tax 5% $3.9B
Federal Payments 15% $11.6B
Corporations Tax 10% $8.3B
Personal Income Tax 24% $19.1B
Retail Sales Tax 19% $14.9B

* As at September 30.

Note: Numbers may not add due to rounding.

Composition of Total Expense 2004-05*

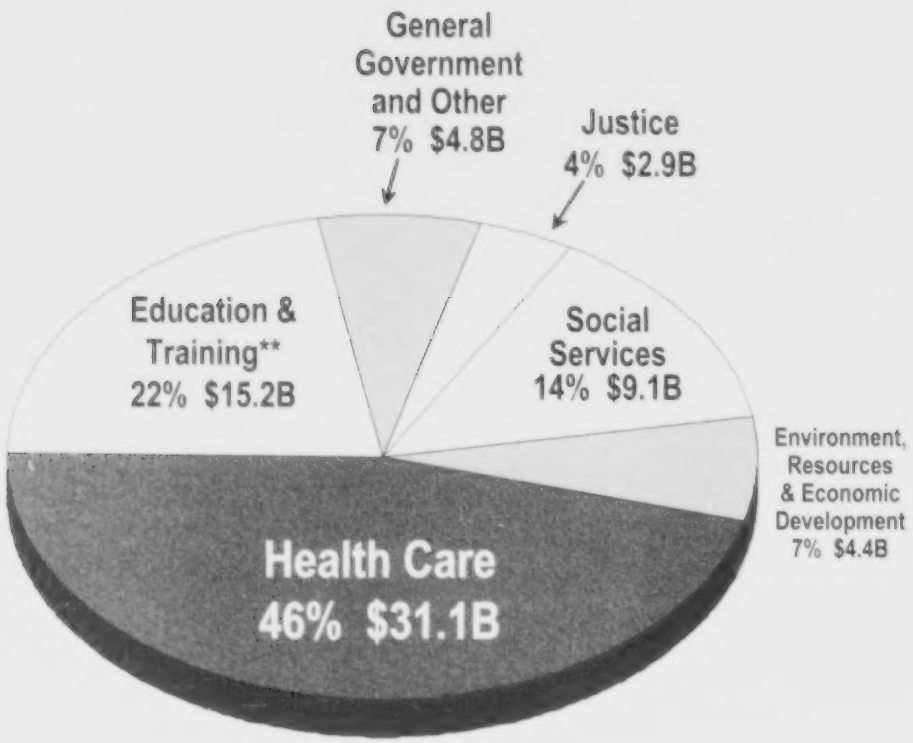

General Government and Other 6% $5.0B
Justice 4% $3.0B
Interest on Debt 13% $10.1B
Social Services 11% $9.2B
Education & Training** 19% $15.4B
Environment, Resources & Economic Development 8% $6.1B
Health Care 39% $31.4B

* As at September 30.

** Includes Teachers' Pension Plan.

Note: Numbers may not add due to rounding.

Composition of Program Expense 2004-05*

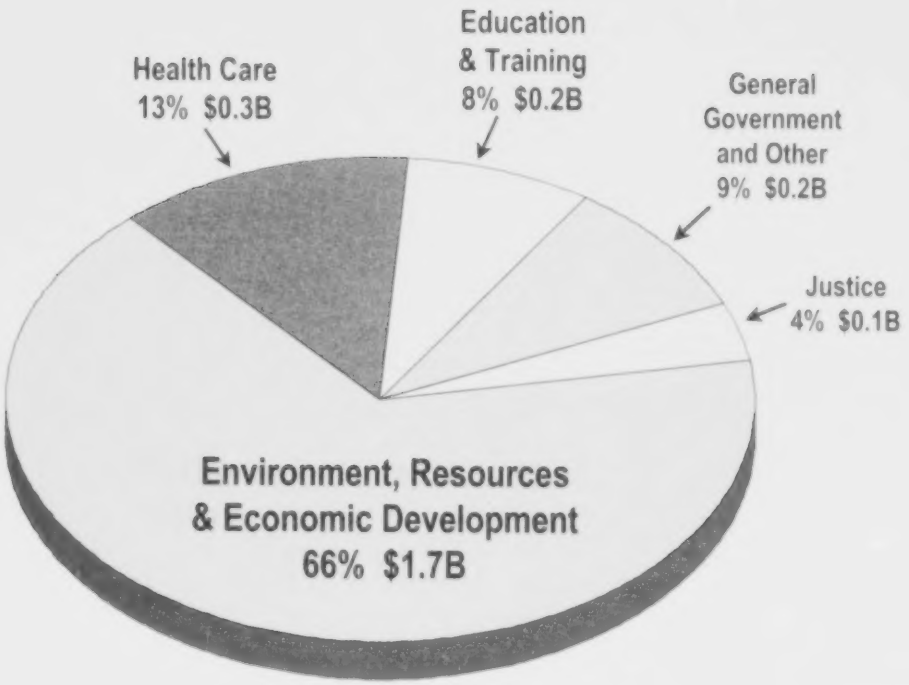

General Government and Other 7% $4.8B
Justice 4% $2.9B
Education & Training** 22% $15.2B
Social Services 14% $9.1B
Environment, Resources & Economic Development 7% $4.4B
Health Care 46% $31.1B

* As at September 30.

** Includes Teachers' Pension Plan.

Note: Numbers may not add due to rounding.

Composition of Capital Expense 2004-05*



* As at September 30.
Note: Numbers may not add due to rounding.

ANNEX III

Borrowing and Debt Management

Borrowing and Debt Management

Cost-effective borrowing and debt management activities minimize debt interest costs, freeing up resources for essential programs such as health care and education. The Province employs a variety of financing approaches in domestic and international capital markets to fulfil its borrowing requirement.

Consolidated Provincial Borrowing Program

($ Billions)

	2004-05		
	Budget Plan	Current Outlook	Change
Deficit	2.2	2.2	(0.1)*
Adjustments for:			
Non-Cash Items Included in Deficit	3.2	3.2	-
Amortization of Major Tangible Capital Assets	(0.8)	(0.8)	-
Acquisitions of Major Tangible Capital Assets	1.6	1.6	-
Debt Maturities	16.1	16.0	-**
Debt Redemptions	1.0	1.5	0.5
Canada Pension Plan Borrowing	(1.1)	(1.0)	0.1
Increase/(Decrease) in Cash and Cash Equivalents	-	(0.8)	(0.8)
Decrease/(Increase) in Short-Term Borrowing	0.2	0.1	(0.1)
Other Uses/(Sources) of Cash	1.4	1.4	0.1
Total Long-Term Public Borrowing Requirement	23.8	23.4	(0.3)

Note: Numbers may not add due to rounding.

* As at September 30, a deficit of $2,168 million is projected in 2004-05, an in-year improvement of $71 million from the deficit projected in the 2004 Budget.

** Debt maturities decreased from $16,087 million projected in the 2004 Budget to $16,048 million as a result of investors not exercising calls on certain bonds.

Borrowing Program Status*	Completed	Remaining	Total
($ Billions)			
Province	11.8	7.4	19.2
Ontario Electricity Financial Corporation (OEFC)	2.4	1.8	4.2
Total	**14.2**	**9.2**	**23.4**

*As of October 15, 2004.

- The consolidated Total Long-Term Public Borrowing Requirement for the Province and OFIU in 2004-05 is projected at approximately $23.4 billion, down from $23.8 billion in the Budget Plan. This amount includes $17.5 billion of Debt Maturities and Debt Redemptions and $2.2 billion from the Deficit.

- The Province was able to reduce its Total Long-Term Public Borrowing Requirement in the second quarter. The actual deficit in 2003-04, at $5.5 billion, was $0.7 billion lower than the $6.2 billion estimate in the Budget Plan. This decline allowed for a reduction in Cash and Cash Equivalents of $0.8 billion, partly offset by $0.5 billion in higher Debt Redemptions from the Ontario Savings Bond program.

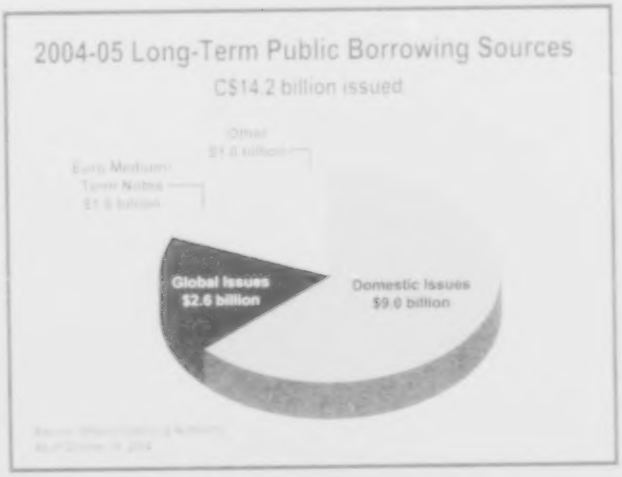
- The Ontario Financing Authority (OFIU) completed $11.9 billion of the Province's Total Long-Term Public Borrowing Requirement during the first half of the fiscal year. As of October 15, 2004, an additional $2.3 billion was borrowed in the long-term markets, for a total of $14.2 billion. Over 60 per cent of the Province's long-term program has been completed.

- The domestic market has been the main source of funding in 2004-05, providing a total of $9.0 billion through a number of instruments, including:

  Syndicated issues;
  Medium-Term Notes;
  Floating Rate Notes; and
  Ontario Savings Bonds.

- While the majority of the borrowing has been completed in the domestic market, the Province has successfully issued in U.S. and Australian dollars, as well as Sterling, Swiss francs and Canadian dollars issued through European Medium-Term Notes.

- To date, the Province has borrowed $4.2 billion, or almost 30 per cent of its long-term borrowing program in foreign markets in 2004-05, compared to 25 per cent in 2003-04.



- The consolidated Total Long-Term Public Borrowing Requirement for the Province and OEFC in 2004-05 is projected at approximately $23.4 billion, down from $23.8 billion in the Budget Plan. This amount includes $17.5 billion of Debt Maturities and Debt Redemptions and $2.2 billion from the Deficit.
- The Province was able to reduce its Total Long-Term Public Borrowing Requirement in the second quarter. The actual deficit in 2003-04, at $5.5 billion, was $0.7 billion lower than the $6.2 billion estimate in the Budget Plan. This decline allowed for a reduction in Cash and Cash Equivalents of $0.8 billion, partly offset by $0.5 billion in higher Debt Redemptions from the Ontario Savings Bond program.
- The Ontario Financing Authority (OFA) completed $11.9 billion of the Province's Total Long-Term Public Borrowing Requirement during the first half of the fiscal year. As of October 15, 2004, an additional $2.3 billion was borrowed in the long-term markets, for a total of $14.2 billion. Over 60 per cent of the Province's long-term program has been completed.
- The domestic market has been the main source of funding in 2004-05, providing a total of $9.0 billion through a number of instruments, including:
  - Syndicated issues;
  - Medium-Term Notes;
  - Floating Rate Notes; and
  - Ontario Savings Bonds.
- While the majority of the borrowing has been completed in the domestic market, the Province has successfully issued in U.S. and Australian dollars, as well as Sterling, Swiss francs and Canadian dollars issued through European Medium-Term Notes.
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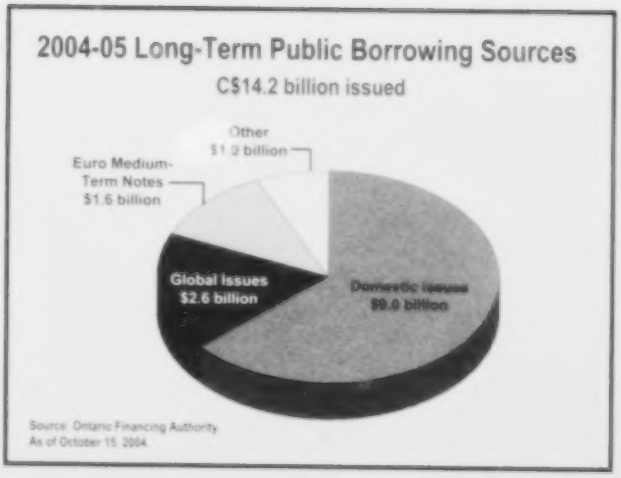

Medium-Term Borrowing Outlook

Consolidated Provincial Borrowing Program			
($ Billions)	2005-06	2006-07	2007-08
Deficit/(Surplus)	2.1	1.5	0.0
Estimated Adjustments for Non-Cash Items Included in Deficit	1.2	1.1	1.1
Acquisitions of Major Tangible Capital Assets	1.7	1.9	1.7
Debt Maturities			
Currently Outstanding	18.9	11.8	11.0
Incremental Impact of Future Refinancing	0.0	2.1	4.3
Subtotal	18.9	13.9	15.3
Debt Redemptions	1.0	1.0	1.0
Canada Pension Plan Borrowing	(1.2)	(0.4)	(0.4)
Decrease/(Increase) in Short-Term Borrowing	0.0	0.0	0.0
Other Uses/(Sources) of Funds	0.2	0.0	0.1
Estimated Long-Term Public Borrowing Requirements	**23.9**	**19.0**	**18.8**

- Refinancing maturing debt remains the primary component of the 2005-08 Estimated Long-Term Public Borrowing Requirements. Debt Maturities for the Province and OEFC are projected at $18.9 billion in 2005-06, $13.9 billion in 2006-07 and $15.3 billion in 2007-08.
- In managing these Debt Maturities, the OFA will maintain a flexible financing approach and monitor domestic and international bond markets continuously, seeking out the most cost-effective borrowing opportunities.
- The OFA will also continue to aim for a balanced maturity profile and take advantage of opportunities to schedule maturities into years that currently have lower levels of maturing debt.

Debt Management

- The OFA adheres to prudent risk management policies, using financial instruments such as options and swaps to hedge the Province's exposure to market risks such as foreign exchange and interest rate risks.
- The OFA also manages the Province's credit risk exposures arising from capital market activities by limiting market transactions to highly rated counterparties and maintaining credit exposures within approved policy limits.
- The Province limits itself to a maximum foreign exchange exposure of five per cent of debt issued for provincial purposes. As of September 30, 2004, foreign exchange exposure was 0.9 per cent of debt, dropping from 1.2 per cent on March 31, 2004 due to a combination of hedging of exposed debt and the continuing appreciation of the Canadian dollar.
- The Province limits itself to a maximum interest rate reset exposure of 25 per cent of debt issued for provincial purposes. Interest rate reset exposure is the combination of net floating rate exposure and all fixed rate debt maturing within the next 12 months. As of September 30, 2004, interest rate reset exposure was 11.7 per cent of debt, compared to 11.4 per cent as of March 31, 2004.
- As of September 30, 2004, OEFC had zero foreign exchange exposure compared to its foreign exchange exposure limit of five per cent of total debt. Floating rate exposure was 12.5 per cent of outstanding debt as of September 30, 2004, compared to 8.0 per cent as of March 31, 2004—both levels within OEFC's limit of 20 per cent.

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(Note: Data in the tables may not add to totals due to rounding.)

Table 1	Ontario, Gross Domestic Product, 1990-2003						
							($ Billions)
	1990	1991	1992	1993	1994	1995	1996
Real GDP (chained $1997)	**316.9**	**304.5**	**307.2**	**310.2**	**328.5**	**340.1**	**343.8**
Consumption	176.3	172.9	175.3	177.7	183.1	186.6	190.9
Government	69.1	72.3	72.6	72.1	72.9	73.3	70.6
Residential Construction	19.4	16.3	17.1	15.6	15.9	13.7	15.0
Non-residential Construction	13.1	12.5	10.9	8.8	7.8	7.5	9.2
Machinery and Equipment	19.5	18.0	18.5	17.7	20.2	22.3	23.7
Exports	164.3	159.4	165.5	179.4	198.1	213.8	225.6
Imports	143.2	142.2	149.8	158.7	169.4	180.5	189.4
Nominal Gross Domestic Product	**282.8**	**283.1**	**286.5**	**293.4**	**311.1**	**329.3**	**338.2**

Table 1 (continued)							($ Billions)
	1997	1998	1999	2000	2001	2002	2003
Real GDP (chained $1997)	**359.4**	**376.7**	**405.0**	**428.1**	**434.9**	**451.1**	**458.1**
Consumption	200.1	207.1	216.6	226.9	232.2	240.5	247.8
Government	70.5	72.0	75.1	78.2	82.0	85.0	89.8
Residential Construction	17.2	16.8	18.8	20.2	22.1	24.2	25.4
Non-residential Construction	10.0	10.2	11.3	10.2	9.8	9.7	9.3
Machinery and Equipment	29.3	31.3	34.2	36.1	35.2	33.8	36.3
Exports	242.6	260.4	289.8	312.0	302.9	313.1	309.1
Imports	213.3	223.3	241.9	261.2	247.0	256.3	263.6
Nominal Gross Domestic Product	**359.4**	**377.9**	**409.0**	**441.2**	**453.4**	**479.1**	**494.2**

Sources: Statistics Canada and Ontario Ministry of Finance.

Table 2	Ontario, Growth in Gross Domestic Product, 1990-2003						
							(Per Cent Change)
	1990	1991	1992	1993	1994	1995	1996
Real GDP (chained $1997)	**-1.7**	**-3.9**	**0.9**	**1.0**	**5.9**	**3.5**	**1.1**
Consumption	0.3	-1.9	1.4	1.3	3.1	1.9	2.3
Government	5.3	4.5	0.4	-0.7	1.1	0.7	-3.7
Residential Construction	-20.2	-15.9	4.5	-8.7	2.0	-14.0	9.6
Non-residential Construction	-9.0	-4.9	-12.9	-18.7	-12.2	-2.7	21.5
Machinery and Equipment	-4.8	-7.2	2.4	-4.4	14.6	9.9	6.7
Exports	0.0	-3.0	3.9	8.4	10.4	7.9	5.6
Imports	-1.8	-0.7	5.3	5.9	6.8	6.6	4.9
Nominal Gross Domestic Product	**1.5**	**0.1**	**1.2**	**2.4**	**6.0**	**5.9**	**2.7**

Table 2 (continued)							(Per Cent Change)
	1997	1998	1999	2000	2001	2002	2003
Real GDP (chained $1997)	**4.5**	**4.8**	**7.5**	**5.7**	**1.6**	**3.7**	**1.6**
Consumption	4.8	3.5	4.6	4.7	2.3	3.6	3.0
Government	-0.1	2.0	4.4	4.1	4.9	3.7	5.6
Residential Construction	14.5	-1.8	11.6	7.3	9.6	9.3	4.9
Non-residential Construction	9.2	1.6	11.4	-10.0	-3.5	-1.8	-4.0
Machinery and Equipment	23.3	6.8	9.4	5.7	-2.5	-4.2	7.6
Exports	7.5	7.3	11.3	7.6	-2.9	3.4	-1.3
Imports	12.6	4.7	8.4	8.0	-5.4	3.8	2.8
Nominal Gross Domestic Product	**6.3**	**5.2**	**8.2**	**7.9**	**2.8**	**5.7**	**3.2**

Sources: Statistics Canada and Ontario Ministry of Finance

Table 3	Ontario, Selected Economic Indicators, 1990-2003						
	1990	1991	1992	1993	1994	1995	1996
Retail Sales ($ Billions)	NA	69.6	71.5	74.5	80.0	83.3	83.8
Housing Starts - Units (000s)	62.6	52.8	55.8	45.1	46.6	35.8	43.1
Personal Income ($ Billions)	241.7	247.7	253.8	256.1	260.7	271.4	276.3
Pre-tax Corporate Profits ($ Billions)	19.8	14.6	14.5	17.9	27.9	33.1	34.2
Consumer Price Index (1992 = 100)	94.6	99.0	100.0	101.8	101.8	104.3	105.9
Labour Force (000s)	5,533	5,544	5,542	5,581	5,574	5,620	5,695
Employment (000s)	5,191	5,016	4,949	4,974	5,039	5,131	5,181
Unemployment Rate (%)	6.2	9.5	10.7	10.9	9.6	8.7	9.0

Table 3 (continued)	1997	1998	1999	2000	2001	2002	2003
Retail Sales ($ Billions)	90.9	97.5	104.6	111.5	114.3	121.0	125.1
Housing Starts - Units (000s)	54.1	53.8	67.2	71.5	73.3	83.6	85.2
Personal Income ($ Billions)	289.5	304.7	321.7	347.6	360.2	370.3	379.7
Pre-tax Corporate Profits ($ Billions)	37.5	39.5	49.7	55.0	48.2	58.5	59.4
Consumer Price Index (1992 = 100)	107.9	108.9	111.0	114.2	117.7	120.1	123.3
Labour Force (000s)	5,801	5,914	6,071	6,228	6,364	6,532	6,694
Employment (000s)	5,313	5,490	5,688	5,872	5,963	6,068	6,229
Unemployment Rate (%)	8.4	7.2	6.3	5.7	6.3	7.1	7.0

Sources: Statistics Canada, Ontario Ministry of Finance and Canada Mortgage and Housing Corporation.

Table 4	Ontario, Selected Economic Indicators, Annual Change, 1990-2003						
							(Per Cent Change)
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Retail Sales	NA	NA	2.7	4.2	7.5	4.0	0.7
Housing Starts	-32.9	-15.7	5.6	-19.1	3.3	-23.2	20.2
Personal Income	5.5	2.5	2.5	0.9	1.8	4.1	1.8
Pre-tax Corporate Profits	-27.8	-26.0	-0.8	23.1	55.8	18.7	3.3
Consumer Price Index	4.9	4.7	1.0	1.8	0.0	2.5	1.5
Labour Force	1.2	0.2	0.0	0.7	-0.1	0.8	1.3
Employment	0.0	-3.4	-1.3	0.5	1.3	1.8	1.0

Table 4 (continued)							(Per Cent Change)
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Retail Sales	8.5	7.2	7.3	6.6	2.5	5.9	3.4
Housing Starts	25.6	-0.4	24.9	6.4	2.5	14.1	1.9
Personal Income	4.8	5.2	5.6	8.0	3.6	2.8	2.5
Pre-tax Corporate Profits	9.9	5.2	25.9	10.5	-12.4	21.5	1.5
Consumer Price Index	1.9	0.9	1.9	2.9	3.1	2.0	2.7
Labour Force	1.9	1.9	2.6	2.6	2.2	2.6	2.5
Employment	2.6	3.3	3.6	3.2	1.5	1.8	2.6

Sources: Statistics Canada, Ontario Ministry of Finance and Canada Mortgage and Housing Corporation.

Table 5			Business Cycles in Ontario	
Recessions			Recoveries and Expansions	
Recession Quarters	Length (Quarters)	Peak-to-trough decline in real GDP	Expansion Quarters	Length (Quarters)
1954:1 - 54:2	2	-1.5%	1954:3 - 57:3	13
1957:4 - 58:2	3	-1.7%	1958:3 - 74:3	65
1974:4 - 75:1	2	-0.6%	1975:2 - 79:3	18
1979:4 - 80:3	4	-2.2%	1980:4 - 81:4	5
1982:1 - 82:3	3	-5.2%	1982:4 - 89:4	29
1990:1 - 91:1	5	-7.7%	1991:2 - 92:1	4
1992:2 - 92:3	2	-0.9%	1992:4 - 2003:1	41
2003:2 - 2003:3	2	-1.0%	2003:4 -	
Average	3	-2.6%	Average	25
Weighted by length of recession		-3.3%		

Source: Ontario Ministry of Finance.

Table 6	Ontario, Real Gross Domestic Product by Industry at Basic Prices, 2000-2003			
				($1997 Chained Millions)
	2000	2001	2002	2003
Goods Producing Industries	**127,402**	**123,773**	**128,052**	**128,165**
Primary	7,844	7,585	7,784	7,790
Utilities	9,931	9,901	10,235	9,775
Construction	18,403	19,991	20,608	21,280
Manufacturing[1]	91,145	85,986	89,159	88,986
Services Producing Industries	**268,431**	**277,499**	**288,543**	**294,353**
Wholesale Trade	26,067	26,408	28,452	29,912
Retail Trade	19,885	20,269	21,172	21,506
Transportation and Warehousing	16,188	16,018	16,354	16,339
Information and Cultural (incl. Telecommunications)	16,029	17,212	18,253	18,779
Finance, Insurance, Real Estate, Rental and Leasing	83,265	87,044	90,956	92,224
Professional and Administrative Services	28,841	30,188	31,250	32,300
Education	17,148	17,340	17,596	17,357
Health Care and Social Services	21,031	21,698	22,390	23,268
Arts, Entertainment and Recreation	3,549	3,624	3,771	3,900
Accommodation and Food	8,750	8,916	8,957	8,615
Other Services	8,875	9,223	9,484	9,589
Public Administration	19,105	19,857	20,228	20,996
Total Production	**396,133**	**401,414**	**416,771**	**422,813**

Note:

1. See Table 8 for detailed manufacturing industries.

Sources: Statistics Canada and Ontario Ministry of Finance.

Table 7	Ontario, Growth in Real Gross Domestic Product by Industry at Basic Prices, 2000-2003			
				(Per Cent Change)
	2000	2001	2002	2003
Goods Producing Industries	**7.4**	**-2.8**	**3.5**	**0.1**
Primary Industries	0.6	-3.3	2.6	0.1
Utilities	0.4	-0.3	3.4	-4.5
Construction	2.5	8.6	3.1	3.3
Manufacturing[1]	10.1	-5.7	3.7	-0.2
Services Producing Industries	**5.3**	**3.4**	**4.0**	**2.0**
Wholesale Trade	7.1	1.3	7.7	5.1
Retail Trade	6.8	1.9	4.5	1.6
Transportation and Warehousing	3.9	-1.0	2.1	-0.1
Information and Cultural (incl. Telecommunications)	10.2	7.4	6.0	2.9
Finance, Insurance, Real Estate, Rental and Leasing	6.2	4.5	4.5	1.4
Professional and Administrative Services	7.8	4.7	3.5	3.4
Education	0.3	1.1	1.5	-1.4
Health Care and Social Services	1.6	3.2	3.2	3.9
Arts, Entertainment and Recreation	5.4	2.1	4.1	3.4
Accommodation and Food	1.8	1.9	0.5	-3.8
Other Services	4.4	3.9	2.8	1.1
Public Administration	2.4	3.9	1.9	3.8
Total Production	**6.0**	**1.3**	**3.8**	**1.4**

Note:
1. See Table 9 for detailed manufacturing industries.
Sources: Statistics Canada and Ontario Ministry of Finance.

Table 8 **Ontario, Real Gross Domestic Product at Basic Prices in Selected Manufacturing Industries, 2000-2003**

($1997 Chained Millions)

	2000	2001	2002	2003
Manufacturing	**91,145**	**85,986**	**89,159**	**88,986**
Food, Beverage and Tobacco Products	9,342	9,914	9,978	9,697
Textile, Clothing and Leather Products	2,222	2,043	2,143	1,923
Wood Products and Furniture	4,850	4,702	4,818	4,782
Paper Products and Printing	6,342	6,147	6,151	6,155
Chemical and Petroleum Products	7,759	7,717	8,411	8,765
Plastic and Rubber Products	5,919	6,113	6,778	6,791
Primary Metal and Fabricated Metal Products	12,739	12,371	13,119	12,956
Machinery	6,564	5,991	6,210	6,001
Electrical and Electronic Products	11,529	8,779	8,150	8,396
Transportation Equipment	20,523	18,985	20,153	20,048
Non-metallic Mineral Products and Other Manufacturing	3,855	3,673	3,720	3,933

Sources: Statistics Canada and Ontario Ministry of Finance

Table 9 **Ontario, Growth in Real Gross Domestic Product at Basic Prices in Selected Manufacturing Industries, 2000-2003**

(Per Cent Change)

	2000	2001	2002	2003
Manufacturing	**10.1**	**-5.7**	**3.7**	**-0.2**
Food, Beverage and Tobacco Products	-0.1	6.1	0.6	-2.8
Textile, Clothing and Leather Products	18.6	-8.1	4.9	-10.3
Wood Products and Furniture	21.0	-3.0	2.5	-0.7
Paper Products and Printing	15.2	-3.1	0.1	0.1
Chemical and Petroleum Products	6.7	-0.5	9.0	4.2
Plastic and Rubber Products	16.6	3.3	10.9	0.2
Primary Metal and Fabricated Metal Products	14.4	-2.9	6.0	-1.2
Machinery	18.1	-8.7	3.7	-3.4
Electrical and Electronic Products	31.1	-23.9	-7.2	3.0
Transportation Equipment	-1.5	-7.5	6.2	-0.5
Non-metallic Mineral Products and Other Manufacturing	13.1	-4.7	1.3	5.7

Sources: Statistics Canada and Ontario Ministry of Finance.

Table 10	Ontario, Housing Market Indicators, 2000-2003			
	2000	2001	2002	2003
New Housing Market				
Residential Construction, Current $ Millions	21,854	24,718	28,305	31,052
	10.7	13.1	14.5	9.7
Real Residential Construction ($1997 Millions)	20,183	22,130	24,187	25,368
	7.3	9.6	9.3	4.9
Housing Starts (Units)	71,521	73,282	83,597	85,180
	6.4	2.5	14.1	1.9
Of which: Single-detached, urban areas (Units)	35,555	34,861	44,980	40,849
	5.5	-2.0	29.0	-9.2
Multiple, urban areas (Units)	31,868	35,401	34,635	40,082
	9.0	11.1	-2.2	15.7
New Housing Price Index (1997 = 100)	107.4	110.8	114.9	120.0
	3.1	3.1	3.7	4.4
Resale Market				
Home Resales (Units)	147,158	162,318	178,058	184,457
	-1.0	10.3	9.7	3.6
Average Resale Price ($)	183,841	193,357	210,901	226,824
	5.6	5.2	9.1	7.5

Note: Per cent change is shown on second line.
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association and Ontario Ministry of Finance.

Table 11 — Selected Financial Indicators, 1990-2003

(Per Cent)

	1990	1991	1992	1993	1994	1995	1996
Interest Rates							
Bank Rate	13.1	9.0	6.8	5.1	5.8	7.1	4.5
Prime Rate	14.1	9.9	7.5	5.9	6.9	8.6	6.1
10-Year Government Bonds	10.8	9.4	8.1	7.2	8.4	8.1	7.2
Three-month T-Bills	12.8	8.7	6.6	4.8	5.5	6.9	4.2
Mortgage Rates							
5-Year Rate	13.4	11.1	9.5	8.8	9.5	9.2	7.9
1-Year Rate	13.4	10.1	7.9	6.9	7.8	8.4	6.2
Canadian Household Debt Burden*							
Consumer	21.8	21.5	21.3	21.3	22.7	23.5	24.6
Mortgage	53.3	55.8	59.2	62.2	65.3	65.4	67.1
Total	75.1	77.3	80.5	83.5	88.0	88.9	91.8

Table 11 (continued)

(Per Cent)

	1997	1998	1999	2000	2001	2002	2003
Interest Rates							
Bank Rate	3.5	5.1	4.9	5.8	4.3	2.7	3.2
Prime Rate	5.0	6.6	6.4	7.3	5.8	4.2	4.7
10-Year Government Bonds	6.1	5.3	5.6	5.9	5.5	5.3	4.8
Three-month T-Bills	3.3	4.7	4.7	5.5	3.8	2.6	2.9
Mortgage Rates							
5-Year Rate	7.1	6.9	7.6	8.3	7.4	7.0	6.4
1-Year Rate	5.5	6.5	6.8	7.9	6.1	5.2	4.8
Canadian Household Debt Burden*							
Consumer	26.2	27.7	28.5	29.9	30.5	31.2	33.0
Mortgage	68.5	69.0	68.6	67.0	66.8	69.1	72.5
Total	94.7	96.6	97.1	96.9	97.3	100.3	105.4

* Household debt as a share of personal disposable income.

Note: All data are annual averages.

Sources: Statistics Canada and Bank of Canada.

Table 12	Ontario and the G-7, Real Gross Domestic Product Growth, 1990-2003						(Per Cent)
	1990	1991	1992	1993	1994	1995	1996
Ontario	-1.7	-3.9	0.9	1.0	5.9	3.5	1.1
Canada	0.2	-2.1	0.9	2.3	4.8	2.8	1.6
France	2.6	1.0	1.3	-1.0	1.9	1.8	1.0
Germany	5.7	5.1	1.8	-1.1	2.4	1.8	0.8
Italy	1.9	1.4	0.7	-0.9	2.3	3.0	1.0
Japan	5.2	3.4	1.0	0.2	1.1	1.9	3.4
United Kingdom	0.8	-1.4	0.2	2.3	4.4	2.8	2.7
United States	1.9	-0.2	3.3	2.7	4.0	2.5	3.7

Table 12 (continued)							(Per Cent)
	1997	1998	1999	2000	2001	2002	2003
Ontario	4.5	4.8	7.5	5.7	1.6	3.7	1.6
Canada	4.2	4.1	5.5	5.2	1.8	3.4	2.0
France	1.9	3.6	3.2	4.2	2.1	1.1	0.5
Germany	1.5	1.7	1.9	3.1	1.0	0.2	-0.1
Italy	2.0	1.7	1.7	3.2	1.7	0.4	0.4
Japan	1.9	-1.1	0.1	2.8	0.4	-0.3	2.7
United Kingdom	3.3	3.1	2.8	3.8	2.1	1.6	2.2
United States	4.5	4.2	4.5	3.7	0.8	1.9	3.0

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. These numbers are working-day adjusted and hence may differ from the basis used for official projections.

Sources: OECD, U.S. Bureau of Economic Analysis and Statistics Canada.

Table 13 **Ontario and the G-7, Employment Growth, 1990-2003**

(Per Cent)

	1990	1991	1992	1993	1994	1995	1996
Ontario	0.0	-3.4	-1.3	0.5	1.3	1.8	1.0
Canada	0.8	-1.8	-0.7	0.8	2.0	1.9	0.8
France	1.1	0.2	-0.6	-1.2	0.1	0.9	0.4
Germany	3.0	1.7	-1.9	-1.8	-0.2	0.1	-0.3
Italy	1.4	1.4	-1.1	-4.1	-1.6	-0.6	0.5
Japan	2.0	1.9	1.1	0.2	0.1	0.1	0.4
United Kingdom	0.4	-3.2	-2.8	-0.7	1.0	1.1	0.9
United States	1.2	-0.9	0.7	1.5	2.3	1.5	1.5

Table 13 (continued)

(Per Cent)

	1997	1998	1999	2000	2001	2002	2003
Ontario	2.6	3.3	3.6	3.2	1.5	1.8	2.6
Canada	2.3	2.7	2.8	2.6	1.1	2.2	2.2
France	0.4	1.5	2.0	2.7	1.7	0.7	0.0
Germany	-0.2	1.1	1.2	2.0	0.3	-0.5	-1.1
Italy	0.4	1.1	1.3	1.9	2.1	1.5	1.0
Japan	1.1	-0.7	-0.8	-0.2	-0.6	-1.2	-0.2
United Kingdom	1.8	1.0	1.3	1.1	0.8	0.7	0.9
United States	2.3	1.5	1.5	2.5	0.0	-0.3	0.9

Sources: IMF, U.S. Bureau of Labor Statistics and Statistics Canada.

Table 14	Ontario and the G-7, Unemployment Rates, 1990-2003						
							(Per Cent)
	1990	1991	1992	1993	1994	1995	1996
Ontario	6.2	9.5	10.7	10.9	9.6	8.7	9.0
Canada	8.1	10.3	11.2	11.4	10.4	9.4	9.6
France	8.8	9.4	10.3	11.6	12.0	11.4	12.0
Germany	4.5	5.3	6.2	7.5	8.0	7.7	8.4
Italy	9.1	8.6	8.8	10.2	11.2	11.7	11.7
Japan	2.1	2.1	2.2	2.5	2.9	3.2	3.4
United Kingdom	6.0	8.4	10.3	10.7	9.8	8.8	8.2
United States	5.6	6.8	7.5	6.9	6.1	5.6	5.4

Table 14 (continued)							(Per Cent)
	1997	1998	1999	2000	2001	2002	2003
Ontario	8.4	7.2	6.3	5.7	6.3	7.1	7.0
Canada	9.1	8.3	7.6	6.8	7.2	7.7	7.6
France	12.1	11.5	10.7	9.4	8.7	9.0	9.7
Germany	9.2	8.7	8.0	7.3	7.4	8.1	8.7
Italy	11.8	11.9	11.5	10.7	9.6	9.1	8.8
Japan	3.4	4.1	4.7	4.7	5.0	5.4	5.3
United Kingdom	7.1	6.3	6.1	5.5	5.1	5.2	5.0
United States	4.9	4.5	4.2	4.0	4.7	5.8	6.0

Note: Labour market data are subject to differences in definitions across countries and to many series breaks, though the latter are often of a minor nature.

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada.

Table 15 **Ontario and the G-7, CPI Inflation Rates, 1990-2003**

(Per Cent)

	1990	1991	1992	1993	1994	1995	1996
Ontario	4.9	4.7	1.0	1.8	0.0	2.5	1.5
Canada	4.8	5.6	1.5	1.8	0.2	2.2	1.6
France	3.2	3.4	2.5	2.2	1.7	1.8	2.1
Germany	2.7	4.1	5.1	4.4	2.7	1.7	1.2
Italy	6.5	6.2	5.0	4.5	4.2	5.4	4.0
Japan	3.1	3.2	1.7	1.3	0.7	-0.1	0.1
United Kingdom	13.4	7.5	4.2	2.5	2.0	2.7	2.5
United States	5.4	4.2	3.0	3.0	2.6	2.8	3.0

Table 15 (continued)

(Per Cent)

	1997	1998	1999	2000	2001	2002	2003
Ontario	1.9	0.9	1.9	2.9	3.1	2.0	2.7
Canada	1.6	0.9	1.7	2.7	2.6	2.2	2.8
France	1.3	0.7	0.6	1.8	1.8	1.9	2.2
Germany	1.5	0.6	0.6	1.4	1.9	1.3	1.0
Italy	1.9	2.0	1.7	2.6	2.3	2.6	2.8
Japan	1.7	0.7	-0.3	-0.7	-0.7	-0.9	-0.3
United Kingdom	1.8	1.6	1.3	0.8	1.2	1.3	1.4
United States	2.3	1.6	2.2	3.4	2.8	1.6	2.3

Sources: OECD, U.S. Bureau of Labor Statistics and Statistics Canada.

Table 16 — **G-7, Exchange Rates, 1990-2003**

(Foreign Currency per Canadian Dollar)

	1990	1991	1992	1993	1994	1995	1996
Euro*	-	-	-	-	-	-	-
France	4.667	4.925	4.380	4.390	4.066	3.637	3.752
Germany	1.385	1.449	1.292	1.282	1.188	1.044	1.104
Italy	1026.9	1082.8	1019.6	1219.8	1180.7	1186.9	1131.6
Japan	124.1	117.6	104.8	86.2	74.8	68.5	79.8
United Kingdom	0.482	0.495	0.471	0.517	0.478	0.462	0.470
United States	0.857	0.873	0.827	0.775	0.732	0.729	0.733

Table 16 (continued)

(Foreign Currency per Canadian Dollar)

	1997	1998	1999	2000	2001	2002	2003
Euro*	-	-	0.631	0.730	0.721	0.674	0.632
France	4.211	3.968	-	-	-	-	-
Germany	1.251	1.183	-	-	-	-	-
Italy	1228.5	1168.2	-	-	-	-	-
Japan	87.3	87.8	76.3	72.6	78.4	79.7	82.7
United Kingdom	0.441	0.407	0.416	0.444	0.448	0.424	0.437
United States	0.722	0.674	0.673	0.673	0.646	0.637	0.714

* Introduced January 4, 1999.

Note: All data are annual averages.

Source: Bank of Canada.

Table 17	Ontario, International Merchandise Exports[1] by Major Commodity[2], 2003	
	Value ($ Millions)	Per Cent of Total
Motor Vehicles, Parts and Accessories	71,894	42.9
Machinery and Mechanical Appliances	19,081	11.4
Electrical Machinery and Equipment	7,936	4.7
Plastics and Plastic Articles	6,981	4.2
Non-ferrous Metals and Allied Products	6,001	3.6
Pulp; Paper and Allied Products	5,620	3.4
Prepared Foodstuffs, Beverages and Tobacco,	4,800	2.9
Furniture and Fixtures, Signs, Prefabricated Buildings	4,541	2.7
Other Chemical Products	3,520	2.1
Precious Metals, Stones and Coins	3,241	1.9
Wood and Wood Products	2,886	1.7
Iron and Steel	2,829	1.7
Mineral Products	2,819	1.7
Articles of Iron and Steel	2,810	1.7
Pharmaceutical Products	2,195	1.3
Scientific, Professional and Photo Equipment, Clocks	2,080	1.2
Vegetable Products; Fats and Oils	1,748	1.0
Rubber and Rubber Articles	1,721	1.0
Live Animals; Animal Products	1,493	0.9
Textiles and Textile Articles	1,357	0.8
Articles of Stone, Cement, Ceramic and Glass	1,335	0.8
Organic Chemicals	1,253	0.7
Inorganic Chemicals; Chemical Elements and Compounds	1,248	0.7
Aircraft, Spacecraft and Parts	1,027	0.6
Printed Matter	879	0.5
Apparel and Clothing Accessories	571	0.3
Railway, Rolling Stock and Parts	476	0.3
Hides, Leather, Travel Goods and Furs	357	0.2
Toys, Games and Sports Equipment	346	0.2
Other Textile and Clothing Articles	202	0.1
Miscellaneous Articles; Works of Art	195	0.1
Ships, Boats and Floating Structures	74	0.0
Headgear, Umbrellas, Artificial Flowers	30	0.0
Footwear	29	0.0
Other Commodities[3]	4,134	2.5
Total Exports	**167,707**	**100.0**

Notes:

1. Domestic exports exclude re-exports.
2. Ontario Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes. Data are customs based.
3. Other Commodities includes special transactions.

Source: Industry Canada.

Table 18	Ontario, International Merchandise Imports by Major Commodity[1], 2003	
	Value ($ Millions)	Per Cent of Total
Motor Vehicles, Parts and Accessories	49,256	23.5
Machinery and Mechanical Appliances	38,833	18.5
Electrical Machinery and Equipment	22,952	10.9
Plastics and Plastic Articles	8,762	4.2
Other Chemical Products	7,945	3.8
Scientific, Professional and Photo Equipment, Clocks	7,846	3.7
Non-ferrous Metals and Allied Products	6,807	3.2
Prepared Foodstuffs, Beverages and Tobacco	5,739	2.7
Pharmaceutical Products	5,218	2.5
Pulp; Paper and Allied Products	4,378	2.1
Vegetable Products; Fats and Oils	4,262	2.0
Articles of Iron and Steel	4,138	2.0
Furniture and Fixtures, Signs, Prefabricated Buildings	3,688	1.8
Mineral Products	3,604	1.7
Rubber and Rubber Articles	3,258	1.6
Iron and Steel	3,207	1.5
Organic Chemicals	3,167	1.5
Articles of Stone, Cement, Ceramic and Glass	2,883	1.4
Textiles and Textile Articles	2,587	1.2
Printed Matter	2,450	1.2
Apparel and Clothing Accessories	2,355	1.1
Toys, Games and Sports Equipment	2,097	1.0
Precious Metals, Stones and Coins	1,704	0.8
Live Animals; Animal Products	1,641	0.8
Wood and Wood Products	1,451	0.7
Aircraft, Spacecraft and Parts	1,327	0.6
Inorganic Chemicals; Chemical Elements and Compounds	933	0.4
Miscellaneous Articles; Works of Art	766	0.4
Hides, Leather, Travel Goods and Furs	748	0.4
Railway, Rolling Stock and Parts	743	0.4
Footwear	689	0.3
Other Textile and Clothing Articles	544	0.3
Ships, Boats and Floating Structures	232	0.1
Headgear, Umbrellas, Artificial Flowers	160	0.1
Other Commodities[2]	3,583	1.7
Total Imports	**209,952**	**100.0**

Notes:

1. Ontario Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes. Data are customs based.
2. Other Commodities includes trans-shipments from one province to another through a foreign jurisdiction and special transactions.

Source: Industry Canada.

Table 19 Ontario, International Merchandise Trade by Major Region, 2003

	Exports ($ Millions)	Per Cent of Total	Imports ($ Millions)	Per Cent of Total
United States	153,455	91.5	150,016	71.5
Western Europe	7,034	4.2	16,655	7.9
European Union	6,092	3.6	15,501	7.4
Other Western Europe	942	0.6	1,155	0.6
Eastern Europe	389	0.2	789	0.4
Asia	3,282	2.0	25,581	12.2
Oceania (Pacific)	963	0.6	700	0.3
Pacific Rim	4,078	2.4	25,177	12.0
Caribbean	268	0.2	179	0.1
Latin America	1,403	0.8	12,471	5.9
Mexico	855	0.5	10,017	4.8
Middle East	579	0.3	641	0.3
Africa	335	0.2	444	0.2
Re-imports (Canada)	0	0.0	2,475	1.2
Total	**167,707**	**100.0**	**209,952**	**100.0**

Note: Data are customs based and do not include re-exports.
Source: Industry Canada

Table 20	Canada, International Merchandise Trade by Major Region, 2003			
	Exports ($ Millions)	Per Cent of Total	Imports ($ Millions)	Per Cent of Total
United States	303,563	85.7	203,550	60.7
Western Europe	19,627	5.5	44,646	13.3
European Union	18,133	5.1	38,854	11.6
Other Western Europe	1,494	0.4	5,792	1.7
Eastern Europe	1,073	0.3	2,252	0.7
Asia	19,355	5.5	51,941	15.5
Oceania (Pacific)	1,787	0.5	2,200	0.7
Pacific Rim	19,913	5.6	51,706	15.4
Caribbean	777	0.2	1,113	0.3
Latin America	4,578	1.3	17,930	5.3
Mexico	2,143	0.6	12,184	3.6
Middle East	1,684	0.5	3,413	1.0
Africa	1,601	0.5	4,376	1.3
Re-imports (Canada)	5	0.0	4,112	1.2
Total	**354,050**	**100.0**	**335,533**	**100.0**

Note: Data are customs based and do not include re-exports.
Source: Industry Canada.

Table 21	Ontario, Selected Demographic Characteristics, 1986-2004 [1]						
	Intercensal Estimates			Postcensal Estimates [2]			
	1986	1991	1996	2001	2002	2003	2004
Total Population (000s)	9,438	10,428	11,083	11,898	12,102	12,257	12,393
Annual Average Growth Over Preceding Year Shown (%)	1.4	2.0	1.2	1.4	1.7	1.3	1.1
Median Age (Years)	31.9	33.3	35.0	36.7	37.0	37.4	37.7
Age Group Shares (%)							
0-4	6.8	7.0	6.8	6.0	5.8	5.6	5.4
5-14	13.4	13.1	13.5	13.5	13.4	13.2	13.0
15-24	17.1	14.5	13.2	13.4	13.4	13.5	13.5
25-44	32.1	34.2	32.9	31.5	31.3	30.9	30.6
45-64	19.8	19.6	21.3	23.2	23.6	24.2	24.7
65-74	6.5	7.0	7.3	7.0	6.9	6.9	6.9
75+	4.2	4.6	5.0	5.6	5.7	5.8	5.9
Total Fertility Rate [3]	1.6	1.7	1.6	1.5	1.5	NA	NA
Life Expectancy (Years) [3]							
Female	80.0	80.8	81.3	82.2	82.2	NA	NA
Male	73.7	75.0	75.9	77.5	77.7	NA	NA
Families (000s) [4]	2,445	2,727	2,933	3,191	NA	NA	NA
Households (000s) [4]	3,222	3,638	3,925	4,219	NA	NA	NA

Notes:
1. Population figures are for July 1 (census year).
2. Estimates by Statistics Canada based on the 2001 Census adjusted for net Census undercoverage.
3. Calendar-year data.
4. Families and Households are Census data.

Source: Statistics Canada.

Table 22	Ontario, Components of Population Growth, 1994-95 to 2003-04[1]				
					(Thousands)
	1994-95	1995-96	1996-97	1997-98	1998-99
Population at Beginning of Period	**10,818**	**10,950**	**11,083**	**11,228**	**11,367**
Births	147	143	136	133	131
Deaths	78	78	80	80	80
Immigrants	120	116	119	106	92
Net Emigrants[3]	26	25	27	26	24
Net Change in Non-permanent Residents	-17	-10	-3	-3	6
Interprovincial Arrivals	67	69	70	75	73
Interprovincial Departures	70	72	68	66	56
Population Growth During Period	132	133	145	139	139
Population at End of Period[2]	**10,950**	**11,083**	**11,228**	**11,367**	**11,506**
Population Growth (%)	1.2	1.2	1.3	1.2	1.2

Table 22 (continued)					(Thousands)
	1999-00	2000-01	2001-02	2002-03	2003-04
Population at Beginning of Period	**11,506**	**11,685**	**11,898**	**12,102**	**12,257**
Births	131	128	129	129	128
Deaths	81	81	81	84	87
Immigrants	117	150	153	110	128
Net Emigrants[3]	24	23	19	19	19
Net Change in Non-permanent Residents	16	21	17	18	-5
Interprovincial Arrivals	79	75	70	64	68
Interprovincial Departures	57	56	65	64	77
Population Growth During Period	179	212	204	155	136
Population at End of Period[2]	**11,685**	**11,898**	**12,102**	**12,257**	**12,393**
Population Growth (%)	1.6	1.8	1.7	1.3	1.1

Notes:

1. Data are from July 1 to June 30 (census year).
2. The sum of the components does not equal the total change in population due to residual deviation.
3. Net Emigrants = Emigrants plus temporarily abroad minus returning emigrants.

Source: Statistics Canada. Estimates based on the 2001 Census adjusted for net Census undercoverage.

Table 23	Ontario, Labour Force, 1990-2003						
	1990	1991	1992	1993	1994	1995	1996
Labour Force (000s)	5,533	5,544	5,542	5,581	5,574	5,620	5,695
Annual Labour Force Growth (%)	1.2	0.2	0.0	0.7	-0.1	0.8	1.3
Participation Rate (%)							
Male	78.0	76.4	75.1	74.4	73.5	72.9	72.6
Female	61.4	61.0	60.0	59.5	58.8	58.7	58.9
Share of Labour Force (%)							
Youth (15-24)	19.6	18.6	18.1	17.3	16.8	16.4	16.2
Older Workers (45+)	26.3	26.6	27.4	28.0	28.8	29.1	29.5

Table 23 (continued)

	1997	1998	1999	2000	2001	2002	2003
Labour Force (000s)	5,801	5,914	6,071	6,228	6,364	6,532	6,694
Annual Labour Force Growth (%)	1.9	1.9	2.6	2.6	2.2	2.6	2.5
Participation Rate (%)							
Male	72.8	72.6	73.2	73.4	73.5	74.1	74.5
Female	59.1	59.7	60.4	61.2	61.4	61.9	62.6
Share of Labour Force (%)							
Youth (15-24)	15.9	15.7	16.0	16.1	15.9	16.0	15.9
Older Workers (45+)	30.2	30.6	31.3	32.0	32.5	33.4	34.5

Source: Statistics Canada

Table 24							Ontario, Employment, 1990-2003
	1990	1991	1992	1993	1994	1995	1996
Total Employment (000s)	5,191	5,016	4,949	4,974	5,039	5,131	5,181
Male	2,851	2,717	2,661	2,688	2,729	2,777	2,798
Female	2,340	2,299	2,288	2,286	2,311	2,353	2,383
Annual Employment Growth (%)	0.0	-3.4	-1.3	0.5	1.3	1.8	1.0
Net Job Creation (000s)	-2	-176	-67	25	65	91	50
Private-sector Employment (000s)	3,542	3,337	3,237	3,209	3,274	3,395	3,459
Public-sector Employment (000s)	1,013	1,022	1,039	1,042	1,033	1,004	963
Self-employment (000s)	636	657	673	723	733	732	758
Manufacturing Employment (% of total)	19.2	18.0	17.3	16.5	16.6	17.1	17.4
Services Employment (% of total)	70.0	71.7	72.7	73.8	74.0	73.7	73.6
Part-time (% of total)	17.1	18.3	18.6	19.7	19.0	18.8	19.3
Average Hours Worked Per Week[1]	38.1	37.3	36.7	37.2	37.6	37.2	37.6

Table 24 (continued)	1997	1998	1999	2000	2001	2002	2003
Total Employment (000s)	5,313	5,490	5,688	5,872	5,963	6,068	6,229
Male	2,879	2,952	3,058	3,146	3,184	3,237	3,315
Female	2,435	2,538	2,630	2,726	2,779	2,831	2,914
Annual Employment Growth (%)	2.6	3.3	3.6	3.2	1.5	1.8	2.6
Net Job Creation (000s)	133	177	198	184	91	105	161
Private-sector Employment (000s)	3,526	3,687	3,828	3,972	4,091	4,150	4,250
Public-sector Employment (000s)	939	941	964	987	988	1,038	1,070
Self-employment (000s)	849	862	896	913	884	880	909
Manufacturing Employment (% of total)	17.7	18.0	18.4	18.7	18.2	18.5	17.5
Services Employment (% of total)	73.4	73.2	72.7	72.7	73.1	73.0	73.5
Part-time (% of total)	19.2	18.6	18.0	17.9	17.8	18.1	18.3
Average Hours Worked Per Week[1]	37.8	37.8	37.9	38.1	37.5	37.4	36.6

Note:
1. Average actual hours worked per week at all jobs, excluding persons not at work, in reference week.
Source: Statistics Canada.

Table 25	Ontario, Unemployment, 1990-2003						
	1990	1991	1992	1993	1994	1995	1996
Total Unemployment (000s)	342	528	593	607	535	489	515
Unemployment Rate (%)	6.2	9.5	10.7	10.9	9.6	8.7	9.0
Male	6.2	10.0	11.9	11.5	10.0	8.9	9.0
Female	6.1	8.9	9.3	10.1	9.1	8.5	9.0
Toronto CMA[1]	5.2	9.5	11.2	11.4	10.4	8.6	9.1
Northern Ontario	8.1	11.4	12.6	12.4	11.6	9.9	10.7
Youth (15-24)	10.0	15.0	17.4	17.5	15.5	14.6	14.9
Older Workers (45+)	4.0	6.8	7.4	7.6	7.0	6.5	6.4
Share of Total Unemployment (%)							
Long-term Unemployed (27 weeks+)	13.7	22.5	29.7	33.4	32.3	29.4	28.3
Youth (15-24)	31.7	29.3	29.5	27.8	27.1	27.5	26.6
Older Workers (45+)	16.9	19.0	19.0	19.5	21.1	21.7	20.8
Average Duration (weeks)[2]	13.7	18.5	23.3	26.9	27.5	25.8	24.8
Youth (15-24)	10.0	13.5	16.6	18.4	17.8	16.2	15.4
Older Workers (45+)	18.9	22.7	29.7	33.7	34.6	33.4	31.1

Table 25 (continued)	1997	1998	1999	2000	2001	2002	2003
Total Unemployment (000s)	488	424	383	356	402	464	466
Unemployment Rate (%)	8.4	7.2	6.3	5.7	6.3	7.1	7.0
Male	8.2	7.1	6.2	5.5	6.4	7.3	7.1
Female	8.7	7.2	6.4	5.9	6.2	6.8	6.8
Toronto CMA[1]	8.0	7.0	6.1	5.5	6.3	7.4	7.7
Northern Ontario	10.4	11.0	9.0	8.2	7.9	8.0	7.3
Youth (15-24)	16.4	14.4	13.1	11.8	12.5	13.9	14.5
Older Workers (45+)	5.9	5.3	4.2	4.0	4.4	4.7	4.7
Share of Total Unemployment (%)							
Long-term Unemployed (27 weeks+)	25.5	21.8	19.0	15.4	12.9	15.8	16.6
Youth (15-24)	30.9	31.5	33.3	33.1	31.6	31.3	33.3
Older Workers (45+)	21.3	22.6	20.7	22.4	22.9	22.0	23.4
Average Duration (weeks)[2]	26.6	23.2	21.2	17.8	15.4	16.5	17.2
Youth (15-24)	13.7	12.7	11.5	9.8	8.7	9.6	9.6
Older Workers (45+)	42.6	39.2	33.6	28.1	25.8	24.2	27.3

Notes:

1. CMA is Census Metropolitan Area. Toronto CMA includes the City of Toronto; the Regions of York, Peel and Halton (excluding Burlington); Uxbridge, Pickering, Ajax, Mono, Orangeville, New Tecumseth and Bradford West Gwillimbury.
2. Prior to 1997, unemployment of 100 or more weeks was recorded as 99 due to data processing limitations. This restriction was removed for data after 1996.

Source: Statistics Canada.

Table 26	Ontario, Employment Insurance (EI) and Social Assistance, 1990-2003						
	1990	1991	1992	1993	1994	1995	1996
EI Regular Beneficiaries (000s)	214	319	322	294	228	181	180
EI Maximum Insurable Earnings ($)[1]	640	680	710	745	780	815	750
EI Maximum Weekly Entitlement ($)	384	408	426	425	429	448	413
EI Premium Rate							
Employer ($/$100 Insurable Earnings)	3.15	3.15/3.92[2]	4.20	4.20	4.30	4.20	4.13
Employee ($/$100 Insurable Earnings)	2.25	2.25/2.80[2]	3.00	3.00	3.07	3.00	2.95
EI Total Benefits Paid ($ millions)[3]	3,419	5,362	5,845	5,406	4,511	3,796	3,653
EI Premiums Paid ($ millions)[3]	5,432	6,220	7,353	7,567	8,067	7,929	7,582
Social Assistance Caseload (000s)[5]	366	499	608	660	673	660	599

Table 26 (continued)	1997	1998	1999	2000	2001	2002	2003
EI Regular Beneficiaries (000s)	151	131	110	101	122	136	142
EI Maximum Insurable Earnings ($)[1]	39,000	39,000	39,000	39,000	39,000	39,000	39,0[illegible]
EI Maximum Weekly Entitlement ($)	413	413	413	413	413	413	413
EI Premium Rate							
Employer ($/$100 Insurable Earnings)	4.06	3.78	3.57	3.36	3.15	3.08	2.94
Employee ($/$100 Insurable Earnings)	2.90	2.70	2.55	2.40	2.25	2.20	2.10
EI Total Benefits Paid ($ millions)[3]	3,436	3,141	3,051	2,787	3,524	4,328	4,342
EI Premiums Paid ($ millions)[3]	8,173	7,679	7,614	7,668	7,477	7,549[4]	7,231[4]
Social Assistance Caseload (000s)[5]	568	529	479	436	408	411	413

Notes:

1. Effective January 1, 1997, the maximum weekly insurable earnings of $750 was eliminated and replaced with an annual maximum set at $39,000.
2. Premium rates for 1991 changed at mid-year.
3. Employment Insurance benefit payments are on a cash basis; premiums are paid on an accrual basis.
4. Premiums paid in 2002 and 2003 are Ontario Ministry of Finance estimates.
5. The number of social assistance cases from 1998 to 2003 includes recipients of the Ontario Works program, the Ontario Disability Support Program, Temporary Care Assistance and the Assistance for Children with Severe Disabilities program. The *Ontario Works Act* was proclaimed in May 1998 and replaced the *General Welfare Act*. The *Ontario Disability Support Program Act* was proclaimed in June 1998.

Sources: Statistics Canada, Human Resources and Skills Development Canada, Ontario Ministry of Finance and Ontario Ministry of Community and Social Services.

Table 27	Ontario, Labour Compensation, 1990-2003						
	1990	1991	1992	1993	1994	1995	1996
Average Weekly Earnings ($)[1]	NA	576.13	598.80	612.33	628.16	634.17	649.55
Increase (%)	NA	NA	3.9	2.3	2.6	1.0	2.4
CPI Inflation (%)	4.9	4.7	1.0	1.8	0.0	2.5	1.5
AWE Increase Less CPI Inflation (%)	NA	NA	2.9	0.5	2.6	-1.5	0.9
AWE - Manufacturing ($)	NA	683.30	716.55	739.20	761.95	770.80	794.09
Increase (%)	NA	NA	4.9	3.2	3.1	1.2	3.0
Increase Less CPI Inflation (%)	NA	NA	3.9	1.4	3.1	-1.3	1.5
Wage Settlement Increases (%)[2]							
All Sectors	5.9	4.7	2.7	1.0	0.4	1.0	1.1
Public	6.9	5.0	2.6	0.5	0.1	0.2	0.3
Private	5.2	3.8	2.7	1.9	1.1	1.7	2.2
Person Days Lost Due to Strikes and Lockouts (000s)	2,958	454	578	371	488	477	1,915
Minimum Wage at Year-end ($/hour)	5.40	6.00	6.35	6.35	6.70	6.85	6.85

Table 27 (continued)	1997	1998	1999	2000	2001	2002	2003
Average Weekly Earnings ($)[1]	663.73	672.67	683.70	700.12	712.88	725.98	733.00
Increase (%)	2.2	1.3	1.6	2.4	1.8	1.8	1.0
CPI Inflation (%)	1.9	0.9	1.9	2.9	3.1	2.0	2.7
AWE Increase Less CPI Inflation (%)	0.3	0.4	-0.3	-0.5	-1.3	-0.2	-1.7
AWE - Manufacturing ($)	821.28	841.78	852.13	869.40	882.76	906.10	917.68
Increase (%)	3.4	2.5	1.2	2.0	1.5	2.6	1.3
Increase Less CPI Inflation (%)	1.5	1.6	-0.7	-0.9	-1.6	0.6	-1.4
Wage Settlement Increases (%)[2]							
All Sectors	1.2	1.6	2.1	2.6	3.0	3.0	3.1
Public	0.7	1.3	1.4	2.7	2.9	2.9	3.5
Private	2.3	2.1	3.1	2.4	3.0	3.0	1.9
Person Days Lost Due to Strikes and Lockouts (000s)	1,904	1,061	651	650	672	1,511	495
Minimum Wage at Year-end ($/hour)	6.85	6.85	6.85	6.85	6.85	6.85	6.85

Notes:

1. Average Weekly Earnings (AWE) includes overtime. In 2001, Statistics Canada changed its estimates of AWE from the 1980 Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS). AWE based on NAICS is available only back to 1991.
2. Wage settlement increases are for collective agreements covering 200 or more employees, Ontario Ministry of Labour.

Sources: Statistics Canada, Ontario Ministry of Labour and Ontario Ministry of Finance.

Table 28	Ontario, Employment by Occupation, 1992-2003					
						(Thousands)
	1992	**1993**	**1994**	**1995**	**1996**	**1997**
Management	494	523	507	547	537	548
Business, Finance and Administrative	1,033	993	997	1,009	995	993
Natural and Applied Sciences	264	256	260	284	285	314
Health	243	260	258	256	250	265
Social Science, Education, Government Service and Religion	343	340	374	342	341	345
Art, Culture, Recreation and Sport	128	139	150	143	148	148
Sales and Service	1,174	1,207	1,197	1,223	1,255	1,264
Trades, Transport and Equipment Operators	703	701	715	732	743	779
Primary Industry	148	153	148	145	142	145
Processing, Manufacturing and Utilities	419	403	435	450	485	512
Total	**4,949**	**4,974**	**5,039**	**5,131**	**5,181**	**5,313**

Table 28 (continued)						(Thousands)
	1998	**1999**	**2000**	**2001**	**2002**	**2003**
Management	552	550	566	557	566	593
Business, Finance and Administrative	1,031	1,054	1,079	1,131	1,136	1,160
Natural and Applied Sciences	345	389	423	448	440	446
Health	260	272	279	282	306	322
Social Science, Education, Government Service and Religion	359	390	401	404	412	415
Art, Culture, Recreation and Sport	155	169	172	180	172	184
Sales and Service	1,316	1,351	1,408	1,434	1,465	1,520
Trades, Transport and Equipment Operators	798	792	806	823	846	865
Primary Industry	139	153	142	131	124	134
Processing, Manufacturing and Utilities	536	569	597	573	602	590
Total	**5,490**	**5,688**	**5,872**	**5,963**	**6,068**	**6,229**

Note: Occupational groupings based on Standard Occupational Classification 1991 (SOC91).
Source: Statistics Canada.

Table 29	Ontario, Distribution of Employment by Occupation, 1992-2003					
						(Per Cent)
	1992	1993	1994	1995	1996	1997
Management	10.0	10.5	10.1	10.7	10.4	10.3
Business, Finance and Administrative	20.9	20.0	19.8	19.7	19.2	18.7
Natural and Applied Sciences	5.3	5.1	5.1	5.5	5.5	5.9
Health	4.9	5.2	5.1	5.0	4.8	5.0
Social Science, Education, Government Service and Religion	6.9	6.8	7.4	6.7	6.6	6.5
Art, Culture, Recreation and Sport	2.6	2.8	3.0	2.8	2.9	2.8
Sales and Service	23.7	24.3	23.8	23.8	24.2	23.8
Trades, Transport and Equipment Operators	14.2	14.1	14.2	14.3	14.3	14.7
Primary Industry	3.0	3.1	2.9	2.8	2.7	2.7
Processing, Manufacturing and Utilities	8.5	8.1	8.6	8.8	9.4	9.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 29 (continued)						(Per Cent)
	1998	1999	2000	2001	2002	2003
Management	10.1	9.7	9.6	9.3	9.3	9.5
Business, Finance and Administrative	18.8	18.5	18.4	19.0	18.7	18.6
Natural and Applied Sciences	6.3	6.8	7.2	7.5	7.2	7.2
Health	4.7	4.8	4.7	4.7	5.0	5.2
Social Science, Education, Government Service and Religion	6.5	6.9	6.8	6.8	6.8	6.7
Art, Culture, Recreation and Sport	2.8	3.0	2.9	3.0	2.8	2.9
Sales and Service	24.0	23.7	24.0	24.0	24.1	24.4
Trades, Transport and Equipment Operators	14.5	13.9	13.7	13.8	13.9	13.9
Primary Industry	2.5	2.7	2.4	2.2	2.0	2.1
Processing, Manufacturing and Utilities	9.8	10.0	10.2	9.6	9.9	9.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Occupational groupings based on Standard Occupational Classification 1991 (SOC91).
Source: Statistics Canada.

Table 30	Ontario, Employment by Industry, 1994-2003				
					(Thousands)
	1994	1995	1996	1997	1998
Goods Producing Industries	**1,312**	**1,348**	**1,366**	**1,412**	**1,469**
Primary Industries	155	152	151	143	144
Agriculture	112	107	105	103	106
Manufacturing	838	878	904	939	989
Construction	271	269	261	282	288
Utilities	49	49	50	48	49
Services Producing Industries	**3,727**	**3,782**	**3,815**	**3,902**	**4,021**
Trade	771	767	783	802	813
Transportation and Warehousing	236	242	244	248	261
Finance, Insurance, Real Estate and Leasing	355	365	372	377	376
Professional, Scientific and Technical Services	282	302	313	350	372
Business, Building and Other Support	158	174	181	194	210
Educational Services	364	358	340	340	347
Health Care and Social Assistance	503	510	503	495	518
Information, Culture and Recreation	223	233	232	248	243
Accommodation and Food Services	288	293	315	316	335
Public Administration	314	305	290	279	284
Other Services	234	235	242	251	262
Total Employment	**5,039**	**5,131**	**5,181**	**5,313**	**5,490**

Table 30 (continued)	Ontario, Employment by Industry, 1994-2003				
					(Thousands)
	1999	2000	2001	2002	2003
Goods Producing Industries	**1,550**	**1,602**	**1,602**	**1,636**	**1,649**
Primary Industries	152	133	122	111	116
Agriculture	114	98	84	76	84
Manufacturing	1,049	1,099	1,088	1,120	1,092
Construction	300	324	343	354	386
Utilities	50	46	50	51	55
Services Producing Industries	**4,138**	**4,271**	**4,361**	**4,433**	**4,580**
Trade	850	874	924	921	936
Transportation and Warehousing	260	278	276	285	283
Finance, Insurance, Real Estate and Leasing	384	385	395	398	433
Professional, Scientific and Technical Services	397	424	437	436	443
Business, Building and Other Support	224	246	249	255	266
Educational Services	368	369	358	379	386
Health Care and Social Assistance	518	544	553	564	607
Information, Culture and Recreation	257	282	299	288	289
Accommodation and Food Services	340	343	342	364	373
Public Administration	286	274	275	291	306
Other Services	254	252	254	253	259
Total Employment	**5,688**	**5,872**	**5,963**	**6,068**	**6,229**

Note: Industrial groupings based on North American Industry Classification System (NAICS).
Source: Statistics Canada.

Table 31	Ontario, Growth in Employment by Industry, 1994-2003				
					(Per Cent Change)
	1994	1995	1996	1997	1998
Goods Producing Industries	**0.8**	**2.7**	**1.3**	**3.4**	**4.1**
Primary Industries	-2.5	-1.8	-0.9	-5.5	1.1
Agriculture	-2.2	-4.3	-1.5	-2.5	3.1
Manufacturing	2.0	4.8	2.9	3.9	5.4
Construction	2.5	-0.7	-2.6	8.0	1.8
Utilities	-13.9	0.6	1.6	-3.2	1.0
Services Producing Industries	**1.5**	**1.5**	**0.9**	**2.3**	**3.0**
Trade	-0.9	-0.6	2.2	2.4	1.4
Transportation and Warehousing	6.6	2.8	0.6	1.8	5.3
Finance, Insurance, Real Estate and Leasing	-3.4	2.8	2.2	1.3	-0.5
Professional, Scientific and Technical Services	4.4	7.0	3.8	11.7	6.3
Business, Building and Other Support	3.8	9.9	4.0	7.4	8.0
Educational Services	2.2	-1.7	-5.0	0.0	2.1
Health Care and Social Assistance	1.5	1.4	-1.4	-1.5	4.6
Information, Culture and Recreation	6.7	4.6	-0.5	7.0	-2.1
Accommodation and Food Services	2.5	1.8	7.4	0.6	5.8
Public Administration	-1.4	-2.8	-4.9	-3.7	1.6
Other Services	4.2	0.4	3.1	3.5	4.6
Total Employment	**1.3**	**1.8**	**1.0**	**2.6**	**3.3**

Table 31 (continued)	Ontario, Growth in Employment by Industry, 1994-2003				
					(Per Cent Change)
	1999	2000	2001	2002	2003
Goods Producing Industries	**5.5**	**3.3**	**0.0**	**2.1**	**0.8**
Primary Industries	5.6	-12.7	-8.5	-8.8	5.1
Agriculture	7.9	-14.4	-14.2	-8.7	9.8
Manufacturing	6.0	4.8	-1.0	3.0	-2.5
Construction	4.4	7.8	6.1	3.1	9.0
Utilities	1.2	-6.3	7.1	2.4	7.5
Services Producing Industries	**2.9**	**3.2**	**2.1**	**1.7**	**3.3**
Trade	4.5	2.8	5.7	-0.3	1.6
Transportation and Warehousing	-0.5	7.0	-0.7	3.1	-0.6
Finance, Insurance, Real Estate and Leasing	2.3	0.3	2.4	0.9	8.8
Professional, Scientific and Technical Services	6.5	6.8	3.1	-0.2	1.6
Business, Building and Other Support	7.0	9.5	1.5	2.2	4.2
Educational Services	6.2	0.2	-3.0	5.7	1.8
Health Care and Social Assistance	0.0	5.0	1.5	2.0	7.6
Information, Culture and Recreation	5.7	9.9	6.1	-3.6	0.3
Accommodation and Food Services	1.6	0.7	-0.3	6.5	2.5
Public Administration	0.6	-4.0	0.3	6.0	5.2
Other Services	-3.3	-0.8	0.9	-0.5	2.5
Total Employment	**3.6**	**3.2**	**1.5**	**1.8**	**2.6**

Note: Industrial groupings based on North American Industry Classification System (NAICS).
Source: Statistics Canada.

Table 32 Ontario, Employment Level by Economic Regions, 1993-2004[2]

(Thousands)

	1993	1994	1995	1996	1997	1998
Ontario	**4,974**	**5,039**	**5,131**	**5,181**	**5,313**	**5,490**
Region:*						
East	**683**	**701**	**674**	**674**	**686**	**727**
Ottawa (510)	503	521	501	508	516	543
Kingston-Pembroke (515)	180	180	172	166	170	183
Greater Toronto Area (530)[1]	**2,119**	**2,115**	**2,215**	**2,242**	**2,348**	**2,426**
Central	**1,139**	**1,173**	**1,194**	**1,209**	**1,230**	**1,276**
Muskoka-Kawarthas (520)	136	137	148	148	150	152
Kitchener-Waterloo-Barrie (540)	458	470	469	478	496	515
Hamilton-Niagara Peninsula (550)	546	567	577	583	584	609
Southwest	**689**	**705**	**686**	**699**	**704**	**714**
London (560)	285	288	285	278	283	286
Windsor-Sarnia (570)	267	274	272	279	277	286
Stratford-Bruce Peninsula (580)	137	143	130	142	145	142
North	**344**	**345**	**362**	**357**	**345**	**348**
Northeast (590)	238	237	248	247	241	244
Northwest (595)	106	108	114	110	105	105

Table 32 (continued)

(Thousands)

	1999	2000	2001	2002	2003	2004[2]
Ontario	**5,688**	**5,872**	**5,963**	**6,068**	**6,229**	**6,319**
Region:*						
East	**750**	**757**	**776**	**787**	**807**	**804**
Ottawa (510)	556	573	587	592	615	609
Kingston-Pembroke (515)	195	184	189	195	192	194
Greater Toronto Area (530)[1]	**2,511**	**2,616**	**2,689**	**2,743**	**2,817**	**2,879**
Central	**1,322**	**1,371**	**1,374**	**1,401**	**1,459**	**1,476**
Muskoka-Kawarthas (520)	161	165	157	159	178	188
Kitchener-Waterloo-Barrie (540)	544	552	562	584	598	611
Hamilton-Niagara Peninsula (550)	618	654	655	659	683	678
Southwest	**744**	**763**	**757**	**767**	**773**	**794**
London (560)	299	307	304	306	314	326
Windsor-Sarnia (570)	296	304	305	311	311	309
Stratford-Bruce Peninsula (580)	149	152	149	150	148	160
North	**361**	**366**	**366**	**370**	**372**	**366**
Northeast (590)	250	253	257	255	255	254
Northwest (595)	112	113	110	115	118	112

* Standard deviations vary significantly across regions, decreasing as the size of the region increases.

Notes:

All figures are average annual employment levels.

1. Economic region of Toronto (530) closely matches the GTA, except that it excludes the City of Burlington.
2. Figures are year-to-date averages of the first nine months of 2004.

Sources: Statistics Canada and Ontario Ministry of Finance.

Table 33	Ontario, Employment Level by Industry for Economic Regions, 2003			
				(Thousands)
	All Industries	Agriculture	Resources[1]	Manu-facturing
Ontario	**6,229**	**84**	**33**	**1,092**
Region:				
East	**807**	**12**	**2**	**80**
Ottawa (510)	615	8	...	54
Kingston-Pembroke (515)	192	5	2	25
Greater Toronto Area (530)	**2,817**	**9**	**3**	**496**
Central	**1,459**	**29**	**3**	**303**
Muskoka-Kawarthas (520)	178	4	...	28
Kitchener-Waterloo-Barrie (540)	598	10	...	140
Hamilton-Niagara Peninsula (550)	683	14	...	136
Southwest	**773**	**31**	**3**	**171**
London (560)	314	11	...	61
Windsor-Sarnia (570)	311	8	2	82
Stratford-Bruce Peninsula (580)	148	12	...	28
North	**372**	**3**	**22**	**41**
Northeast (590)	254	2	15	26
Northwest (595)	118	...	7	15

Table 33 (continued)				(Thousands)
	Construction	Distributive[2]	Finance, Prof. & Mgmt.[3]	Info., Culture & Recreation[4]
Ontario	**386**	**562**	**1,141**	**289**
Region:				
East	**48**	**59**	**140**	**34**
Ottawa (510)	36	45	115	29
Kingston-Pembroke (515)	12	15	25	5
Greater Toronto Area (530)	**163**	**285**	**659**	**142**
Central	**104**	**120**	**210**	**70**
Muskoka-Kawarthas (520)	17	15	22	9
Kitchener-Waterloo-Barrie (540)	44	50	88	25
Hamilton-Niagara Peninsula (550)	44	55	100	36
Southwest	**47**	**67**	**93**	**28**
London (560)	20	25	46	11
Windsor-Sarnia (570)	18	23	33	13
Stratford-Bruce Peninsula (580)	9	19	14	5
North	**24**	**31**	**40**	**15**
Northeast (590)	16	21	28	10
Northwest (595)	7	10	12	5

Table 33 (continued) **Ontario, Employment Level by Industry for Economic Regions, 2003**

(Thousands)

	Retail Trade	Personal Services[5]	Education
Ontario	711	632	386
Region:			
East	95	81	55
Ottawa (510)	70	59	37
Kingston-Pembroke (515)	25	22	18
Greater Toronto Area (530)	301	276	162
Central	174	155	92
Muskoka-Kawarthas (520)	24	20	11
Kitchener-Waterloo-Barrie (540)	69	59	39
Hamilton-Niagara Peninsula (550)	81	77	43
Southwest	93	77	49
London (560)	34	32	22
Windsor-Sarnia (570)	39	32	20
Stratford-Bruce Peninsula (580)	20	13	7
North	49	43	28
Northeast (590)	34	29	18
Northwest (595)	14	14	10

Table 33 (continued)

(Thousands)

	Health & Soc. Assistance	Public Administration
Ontario	606	306
Region:		
East	88	112
Ottawa (510)	62	99
Kingston-Pembroke (515)	25	13
Greater Toronto Area (530)	226	96
Central	146	54
Muskoka-Kawarthas (520)	21	8
Kitchener-Waterloo-Barrie (540)	52	22
Hamilton-Niagara Peninsula (550)	73	24
Southwest	92	22
London (560)	42	10
Windsor-Sarnia (570)	33	8
Stratford-Bruce Peninsula (580)	17	4
North	55	23
Northeast (590)	39	16
Northwest (595)	16	7

All figures are average annual employment levels.
Sub-regional figures may not add up to regional totals due to rounding.
Employment numbers under 1,500 are suppressed because they are statistically unreliable.
See standard deviation and GTA note for Table 32.
Industrial groupings based on North American Industry Classification System (NAICS).

Notes:
1. Includes Forestry, Fishing, Mining, Oil and Gas.
2. Includes Transportation and Warehousing, Utilities and Wholesale Trade.
3. Includes Finance, Insurance, Real Estate and Leasing; Management of Companies; Administrative and Support Services; and Professional, Scientific and Technical Services.
4. Information, Culture and Recreation includes industries such as Publishing, Motion Picture and Sound Recording, Broadcasting and Telecommunications, Information Services and Data Processing Services, Performing Arts, Spectator Sports and Related Industries, Heritage Institutions and Amusement, Gambling and Recreation.
5. Includes Accommodation and Food Services and Other Services (such as Repair and Maintenance; Personal and Laundry; Religious, Grant-making, Civic, Professional and Similar Organizations).

Sources: Statistics Canada and Ontario Ministry of Finance.

Table 34	Ontario Economic Regions[1]
East	
Ottawa (510)	The united counties of Stormont, Dundas and Glengarry, Prescott and Russell, Leeds and Grenville, the county of Lanark and the Ottawa Division
Kingston-Pembroke (515)	The counties of Lennox and Addington, Hastings, Renfrew and Frontenac and the Prince Edward Division
Central	
Muskoka-Kawarthas (520)	The counties of Northumberland, Peterborough, Haliburton, the Muskoka District Municipality and the Kawartha Lakes Division
Kitchener-Waterloo-Barrie (540)	The counties of Dufferin, Wellington and Simcoe and the Waterloo Regional Municipality
Hamilton-Niagara Peninsula (550)	The county of Brant, the Regional Municipalities of Niagara, Haldimand-Norfolk, the Hamilton Division and the City of Burlington in Halton Regional Municipality
Greater Toronto Area[2]	
Toronto (530)	Toronto Division, the Regional Municipalities of Durham, York, Peel and Halton (excluding the City of Burlington)
Southwest	
London (560)	The counties of Oxford, Elgin and Middlesex
Windsor-Sarnia (570)	The counties of Lambton and Essex and the Chatham-Kent Division
Stratford-Bruce Peninsula (580)	The counties of Perth, Huron, Bruce and Grey
North	
Northeast (590)	The districts of Nipissing, Parry Sound, Manitoulin, Sudbury, Timiskaming, Cochrane, Algoma and the Greater Sudbury Division
Northwest (595)	The districts of Thunder Bay, Rainy River and Kenora

Notes:

1. As defined by Statistics Canada, *Standard Geographical Classification SGC 2001*.
2. Economic Region 530 closely matches the GTA, except that it excludes the City of Burlington.

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ISBN 0-7794-7095-8